



ANNUAL BUDGET FOR 2016/2017 MTREF

Medium Term Revenue and Expenditure Framework (MTREF)

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Glossary

Adjustments Budget - Prescribed in section 28 of the MFMA. The formal means by which a municipality may revise its annual budget during the year.

Allocations - Money received from Provincial or National Government or other municipalities.

AFS- Annual Financial Statements

Assessment Rates - Local Government tax based on the assessed value of a property. To determine the rates payable, the assessed rateable value is multiplied by the rate in the rand.

Budget - The financial plan of the Municipality.

Budget Related Policy - Policy of a municipality affecting or affected by the budget, examples include tariff policy, rates policy and credit control policy.

Capital Expenditure - Spending on assets such as land, buildings and machinery. Any capital expenditure must be reflected as an asset on the Municipality's Statement of Financial Performance.

CRR - Capital Replacement Reserve. A cash reserve set aside for future capital expenditure.

Cash Flow Statement - A statement showing when actual cash will be received and spent by the Municipality. Cash payments do not always coincide with budgeted expenditure timings. For example, when an invoice is received by the Municipality it is shown as expenditure in the month it is received, even though it may not be paid in the same period.

CFO - Chief Financial Officer

DORA - Division of Revenue Act. Annual legislation that shows the total allocations made by National to Provincial and local government.

Equitable Share - A general grant paid to municipalities. It is predominantly targeted to help with free basic services.

EPWP - Expanded Public works Programme.

FFC - Financial and Fiscal Commission.

Fruitless and wasteful expenditure - Expenditure that was made in vain and would have been avoided had reasonable care been exercised.

GIS - Geographic Information System.

GFS - Government Finance Statistics. An internationally recognised classification system that facilitates like for like comparison between municipalities.

GGP - Gross Geographic Product

GRAP - Generally Recognised Accounting Practice. The new standard for municipal accounting and basis upon which AFS are prepared.

IDP - Integrated Development Plan. The main strategic planning document of the Municipality

ISDF - Integrated Strategic Development Framework - The 20 year framework linking technical, financial and economic planning.

KPI's - Key Performance Indicators. Measures of service output and/or outcome.

MEC - Minister in Executive Committee (Province).

MFMA - The Municipal Finance Management Act - No. 53 of 2003. The principle piece of legislation relating to municipal financial management.

MTREF - Medium Term Revenue and Expenditure Framework. A medium term financial plan, usually 3 years, based on a fixed first year and indicative further two years budget allocations. Also includes details of the previous three years and current years' financial position.

MPAC - Municipal Public Accounts Committee.

MSCOA - Municipal Standard Chart of Accounts

NERSA - National Electricity Regulator of South Africa.

NT - National Treasury.

NDPG - Neighbourhood Development Partnership Grant.

Net Assets - Net assets are the residual interest in the assets of the entity after deducting all its liabilities. This means the net assets of the municipality equates to the "net wealth" of the municipality, after all assets were sold/recovered and all liabilities paid. Transactions which do not meet the definition of Revenue or Expenses, such as increases in values of Property, Plant and Equipment where there is no inflow or outflow of resources are accounted for in Net Assets.

Operating Expenditure - Spending on the day to day expenses of the Municipality such as salaries and wages.

R&M - Repairs and maintenance on property, plant and equipment.

SDBIP - Service Delivery and Budget Implementation Plan. A detailed plan comprising quarterly performance targets and monthly budget estimates.

Strategic Objectives - The main priorities of the Municipality as set out in the IDP. Budgeted spending must contribute towards the achievement of the strategic objectives.

SCM - Supply Chain Management.

Unauthorised expenditure - Generally, spending without, or in excess of, an approved budget.

Virement - A transfer of budget.

Virement Policy - The policy that sets out the rules for budget transfers. Virements are normally allowed within a vote. Transfers between votes must be agreed by Council through an Adjustments Budget.

Vote - One of the main segments into which a budget is divided. In Knysna Municipality this means at directorate level.

PART 1 - ANNUAL BUDGET

Section 1 - Mayor's Budget Speech

ANNUAL STATE OF THE TOWN ADDRESS:

A Prosperous future for Knysna

by

EXECUTIVE MAYOR, CLLR GEORLENE WOLMARANS

TUESDAY • 31 MAY 2016

Madame Speaker
Madame Executive Deputy Mayor
Councillors
Municipal Manager
Directors
Staff
Members of the media and the public

Good afternoon to you all,

I stand before you today with a sense of pride and achievement, but also with a tinge of melancholy for this is my last State of the Town address as Executive Mayor of Knysna. My time in office has been an absolute pleasure and privilege, something I will cherish for many years to come.

Councillors, I will treasure the memories of our time together, and that despite our political differences, as colleagues we worked together for the good of our town. We may not have always agreed, but we shared the common goal of a better Knysna, where people and nature prosper.

It is my sincere hope that the next council will build on the achievements we have attained during this term of office and will strive to overcome the challenges that faced us over the last five years. During my term of office I consistently sought to overcome the frustration, unhappiness and ruptures within our communities. I have sought to bridge the divide between the wealthy and the impoverished, between those who have access to all basic services and those who do not, between the educated and skilled and the

uneducated and the unemployed and, even after two decades of democracy, the prevailing divide along racial lines which afflict our communities. It is imperative to address these divides to ensure our town's prosperous future.

Under my leadership this Council and its administration have laid the foundations to address our challenges. One of which has been the continued support of the youngest members of our communities through Early Childhood Development Centres, which create the footing for our children. I note that I am sharing this address during Child Protection Week and we will celebrate International Children's Day on 1 June. Our children are our future and the way in which we engage and treat them, is an indicator of the ethics and values of our community.

Knysna Municipality has now attained eight unqualified audit reports in a row with the last three being "clean". We have made significant inroads in housing, in infrastructure development, in ensuring the necessary conditions for job creation, in good governance and financial management, in facilitating business development, and in service delivery. We have indeed come a long way, colleagues.

Of course, none of this would have been possible without the hard work of everyone at the municipality - from the councillors around this table; the directors and managers; from the operational staff to the administrators, from the gardeners to the librarians, from the law enforcers to the street sweepers. I thank you for your service to Knysna and your dedication the past five years. I thank you for the honour of being able to work with and lead all of you.

I would now like to highlight some of these successes from the last year. Please excuse me if I do not mention each and every item - as you know I'm not one for long speeches.

First I'd like to speak about planning and development for a better future.

Central to the future of Knysna stands the ISDF, our communally-agreed-upon strategic plan for the next 30 years, which is currently in the final public participation stages. It is my belief that with this roadmap, Knysna stands poised for an economic and social recovery that could serve as an example to the rest of the nation. The ISDF could be the best legacy we leave behind as effective leaders. Despite the detractors, it cannot be denied that such a plan is needed in principle.

I am particularly excited about Knysna, a massive ICT infrastructure development that will bring superfast fibre-optic broadband to Knysna. Along with it comes the prospect of investment and job creation - from health and education to IT, from film productions to call centres. It also promises to overcome the current barriers to information and communication tools experienced by our poorer communities, due to the discriminatory nature of current data packages. Knysna will open the world to our town, and open

Knysna to the world. Knysna is also a prime example of what can be achieved in partnership between public and private enterprises.

When we look at housing, we have had an excellent year. Knysna had the biggest housing budget of any municipality outside the City of Cape Town. We were allocated R56 million for this financial year and once again spent every cent of it. Having proved our ability to deliver integrated human settlements in time and on budget, a further allocation of R16 million was awarded to us.

On a provincial level, Knysna is seen as a top achiever with regard to housing. We have developed 274 serviced sites and 216 top structures during the last financial year. Councillors, the challenge for the incoming Council is to address the significant housing waiting list and develop greenfield housing for those who are not benefiting from the upgrading of informal settlements housing programme.

In the coming year, the adoption of a new Zoning-Scheme and the Land Use Planning by-law will be finalised. These will support the ISDF and provide additional clarity on land use rights and requirements ensuring the development objectives of Knysna are met.

Two projects that I must highlight are the agricultural development at Karatara which will focus on the production of niche commodities, and the construction of a multi-purpose centre in White Location comprising an AstroTurf field and a three storey building with facilities for indoor sports, arts and culture, retail space and management offices. The siting of this exciting new facility provides a wonderful opportunity to breakdown the prevailing apartheid spaces and encourage greater integration of our communities. We must use all resources and opportunities to unite our town

Next I'd like to touch on our future created through sound technical services.

A primary focus for this year and in years to come will be to improve Knysna's water security by focussing on increasing raw water supplies. In this regard we are actively brining the desalination plant in Sedgefield and the reverse osmosis plant in Knysna on stream and investing heavily in building additional pipelines and pumping capacity from our rivers. Apart from these measures, the formalisation of boreholes in Sedgefield is planned with another storage dam in the works to augment the existing storage capacity of the Akkerkloof dam which will all improve Knysna's raw water supply and storage capacity. The goal is to achieve the desired six-month reserve storage required by national guidelines and to meet the increase in demand due to the expansion of housing. In addition we are actively encouraging a more responsible attitude to use of our previous water resources by reducing water wastage through the introduction of a comprehensive leak repair program and numerous other measures including a widespread public awareness campaign.

Turning to the state of our roads, we are demonstrating a clear commitment to improve and maintain our roads infrastructure by approximately doubling the expenditure on repairs and maintenance of our roads, in excess of R25 million in the next financial year. We are addressing the pothole backlog and I am pleased to report that significant progress has already been achieved, with significant further efforts in this regard planned.

We have made similar progress in electricity supply with the commissioning of a generator at the Eastford booster pump station to mitigate possible load-shedding, the installation of high mast lights in unlit suburbs and the electrification of previously powerless areas in Die Gaatjie in Smutsville, Nekkie, Oupad and Hornlee.

Turning to the development and servicing of our communities.

During my term of office the development and well-being of all our communities has been a priority for me and I am most pleased with the successes attained by the Community Services Directorate. Most recently we saw the establishment of the Knysna Youth Council. The Youth Council is another way to bridge a divide, in this instance between generations and most importantly between what our generation assumes the next generation desires and what the youth actually want for their future.

The directorate has furthermore improved our libraries and heritage sites. Several reading programmes were instituted, especially to foster healthy habits among our children - a reading project at the Knysna library rewarded children for every ten books read, at Rheenendal the Nali Bali national campaign saw volunteers reading to young children, at the Sedgefield and Leisure Island libraries children sections were created as well as the addition of computers and internet access. These reading programmes foster a love of reading, a desire for learning and a thirst for knowledge.

As part of our effort to promote reconciliation and recognise the pains of our past, it was resolved that the names of all Knysna citizens who died in service of our country, during Apartheid conflicts as well as the World Wars will be added to the cenotaph at Memorial Square in the centre of town.

In the near future the Smutsville Multi-purpose centre will be completed. There are plans for upgrades to the Knysna mother fire station, and to the sportsfields in Hornlee, Dam-se-Bos and Rheenendal. A focus on sport will help to direct our youth away from the social ills plaguing our town. It is also my hope that the new council will make concerted efforts to address the growing problem of substance abuse in our town. I believe that with a firm, yet compassionate approach much can be achieved.

Through the Youth Jobs in Waste programme sponsored by the Department of Environmental Affairs the Solid Waste Department employed 15 youths at no expense to council. We also ran a School's Waste Management Programme, where waste minimization and recycling at source were encouraged. These

initiatives were further supported by awareness campaigns run by the department.

Further waste related initiatives planned for the next year include a Community Based Waste Management programme; an Efficiency Audit; the uptake of the Community Works Programme, which promises to create up to 150 income opportunities; and the conversion of the decommissioned waste truck into a skip truck to assist with bulk waste removal.

All of these programmes have the goal of addressing the challenges the municipality faces with regard to waste management. We still have an illegal dumping and littering problem which has a detrimental effect on our natural beauty and negatively impacts tourism. With the closure of local landfill sites council will need to seriously consider the waste transportation issue.

These initiatives fit in squarely with the ISDF's focus on the Blue Economy, where waste is minimized and sustainable resources are optimised.

Next I briefly touch on the role of corporate services in creating a better tomorrow.

When it comes to Corporate Services, I wish to highlight our successes when it comes to public participation, which is at an all-time high and has been recognised as a best practice. We have had several well-supported gatherings on contentious issues, and this is another example of what active citizenry and responsible governance can bring about. In sharing our thoughts and views, we endeavour to lessen the social divides in our town.

Our newly initiated Community Works Programme has the potential to ultimately increase the available work opportunities by 1 000, which is a great positive in improving the lives of our less fortunate residents. Similar results are expected from the Extended Public Works Programme, which to date has provided 2080 unemployed residents the opportunity to earn an income for themselves. The continual good performance ensured our EPWP grant is secure and increases year on year.

And now I come to funding the future Knysna.

Councillors, ladies and gentlemen, I turn to the budget for 2016/2017.

The budget for the next financial year continues to reflect the strategies and priorities of the town, chief among them the need to address our dire water security issues, as well as making concessions to our indigent and pensioner population. The indigent and pensioners feel the negative impact of economic shifts more acutely than any other group.

At this point I wish to thank those members of public who considered the draft budget and took the time and effort to forward comments on the budget to my office. Twenty-nine submissions were received. The inputs were for as diverse matters such as:

- the state of roads, infrastructure and the sportsfields in Karatara
- funding for the Knysna Youth Council
- a request for a play park in Upper Old Place from Mrs. Kalani, and
- a detailed proposal for a Youth Centre.

All of these were considered and some were pulled through to the budget and the Integrated Development Plan (IDP) I present today.

The new budget for Knysna Municipality amounts to approximately R915 million comprising of R175 million in capital expenditures and R738 million for operating expenses. This constitutes a considerable increase of 16% on the adjusted budget for 2015/16 which amounted to a total of R789 million.

As you are aware, Knysna is predominantly domestic in its tax base and the downturn in the national economy means development has virtually ceased. We have had a positive holiday season with an influx of tourists and visitors in 2015 and although this type of seasonal boom is welcomed and needed to help achieving our goals of a prosperous town, it needs to become a year-round, sustainable effort and new industries must be identified and developed for the benefit of businesses, residents and workers.

Compiling the budget for 2016/17 has been a challenging exercise, where the cost of increased service delivery to our ever-growing population is clearly becoming an increasing burden on our limited revenue budget. The topography of the town means that the basic services we are constitutionally obliged to provide are always costlier than other municipalities. The knock-on effects of Eskom tariffs and our water scarcity are also substantial.

Thus there are three options which we must avidly pursue: firstly, aggressively grow our status as a preferred national and international tourist hub taking advantage of the exchange rate, secondly to actively seek investment in eco-friendly manufacturing to create more jobs and, lastly, create more jobs by attracting more service-based companies to the area.

The capital expenditure must remain focused on water and sewerage infrastructure, specifically due to the recent drought that has hit the nation and felt so acutely in Knysna. We value the provincial government's continued support to use the housing grant for the installation of bulk infrastructure and reticulation. This is in line with the vision as set out in the draft ISDF.

After National Treasury revised the Equitable Share formula in accordance with the latest census figures, the equitable contribution increased from R56 million in the current budget to R63 million for the 2016/17 cycle. This gives Knysna's financial health a slight, but much-needed boost. The capital budget is thus funded with R91 million from National and Provincial grants, R25 million from borrowings and the balance from internally generated funds.

These approximated funds will be used as follows: R57 million for housing and infrastructure, R23 million for upgrades to the pumping scheme at Charlesford

dam, a R10 million NDPG grant for multi-purpose centres, R8 million for the water treatment plant, R3 million for a new cemetery and R5 million for upgrades to Grey Street. R400 000 has been allocated to each ward for their respective projects in order to enable Wards to identify and address those capital projects which will best impact on the residents of each Ward.

Now for the effects the budget has on the person in the street, namely the tariff implications.

It would seem as if Eskom is in recovery, with bold promises of no load-shedding for this year at least, which seems to slightly justify the approved electricity revenue tariff increase of 7,6% as set by the National Energy Regulator. This increase must be passed directly on to the consumer.

The increase in the first two consumption tiers for the water tariff will be 7% and subsequent tiers rise higher as consumption increases. This increase is admittedly disproportionately high due to the dire situation Knysna finds itself in regards to its water system and reserve levels which currently stands at about 30 days. Even at capacity, our reserve are enough for only three months, far from the required six months as I mentioned earlier. This is currently the single biggest challenge we face at present and has far-reaching implications. We have only two realistic water demand management options—firstly, by asking on our businesses, visitors and residents to do everything they can to decrease usage and in turn rewarding these efforts, and secondly by hiking our tariffs.

We are also pursuing a progressive water tariff re-structure, with the biggest change being the free water allocation amount. To date Knysna has provided all domestic account holders with 6 kilo-litres per month for free. This is despite national policy which only requires the free allocation to be given to indigent residents. As of the new financial year this gift to non-indigent residents will decrease to 3 kilo-litres free water.

The sewerage tariff and refuse tariff will increase by 7.5% and 8% respectively. It has not been possible to factor in the cost of the new Eden District Municipality landfill site near Mossel Bay into the refuse rate.

Other minor tariffs will also increase with 8,9%, unless specifically shown to be different in the tariff book.

In terms of domestic assessment rates, the increase in the rate of the rand will be 7% for domestic and non-domestic properties. The finance directorate has always argued that property rates remain a tax and that council should strive to obtain the maximum revenue out of the rates revenue base. In the previous budget submission an indication was given to phase out or reduce some of the rebates and exemptions, which is materializing in this budget as follows:

The assessment rate rebate for domestic owners will be reduced to 10%, with the Green Rate reduced to 5% and the Rural Rebate scrapped in its totality.

The additional portion of domestic property value which is excluded will remain at R100 000.

In closing, I would like to mention a few more personal items of thanks and appreciation.

Firstly, I would like to take this opportunity to voice my support for Councillor Eleanor Bouw-Spies, the next DA Mayor for Knysna. It pleases me to pass the mantel onto you. You know what this position holds and you are aware of the challenges, pitfalls and issues facing our town. I am sure you will meet the expectations by facing these head-on. Best of luck not only to you, but to all prospective Councillors standing for election on 3 August. May our mutual campaigns proceed smoothly and may the voters elect the councillors they deserve.

I wish to spare more than a thought for my close friend and the previous councillor for Ward 5, Magda Williams, who passed away in 2014. I miss you still.

2015 saw the departure of Michelle Wasserman with whom we had the wonderful opportunity to work closely. I thank her for showing great integrity and wisdom during her tenure, both as a member of my Mayoral Committee and as an outstanding Speaker.

I would also like to thank my dear colleague Richard Dawson for his support and friendship since our paths crossed in 2006 and which continued after his resignation in 2015. You were a confidant both in council and in the DA.

I extend my appreciation to our Municipal Manager Grant Easton, who with his team, compiled the budget and has been of such able service to Knysna since being appointed.

The same goes for the Directors of the municipality, as well as their staff. Your continued hard work has been instrumental in getting us on the path we have set for the town.

My sincere thanks go to my Executive Deputy Mayor, Esmé Edge, as well - you have contributed much to make the last five years not only easier, but pleasant too.

Lastly my thanks to my Mayoral Committee, to you Madam Speaker, to my fellow DA members, to opposition party members and everyone else for taking this municipality forward on behalf of Knysna's citizens. Debates have been lively, tempers have risen, defeats were dealt and victories achieved but always in a progressive fashion, standing up for what we believe in. That is the nature of democracy.

Madam Speaker, I hereby refer you to recommendations of Item 11.13 on Page 26 of the Supplementary Council Meeting Agenda and present to you the 2016/2017 Budget.

Section 2 - Budget Related Resolutions

MTREF 2016/17

The resolutions approved by Council with the final adoption of the budget on the 31 May 2016 will be:

RESOLVED:

- a) That the MTREF 2016/17-2018/19, in terms of Section 16(1), read with Section 17(3)(a)(i), of the Local Government: Municipal Finance Act, 2003 (MFMA), be approved;
- b) That the following, in terms of Section 24(2)(c) of the MFMA, be approved:
 - [i] That tariffs and charges reflected in Annexure 3 of the MTREF are approved for the budget year 2016/2017,
 - [ii] That the amended policies (detailed in Annexure 5 of the MTREF) are approved for the budget year 2016/2017;
 - [iii] That the budget submissions received by the public and relevant provincial departments have been considered and are noted;
 - [iv] That the mSCOA Project plan 2016/17 be noted; and
 - [v] That the Service Level Standards be approved.
- c) That the MM be requested to submit the approved 2016/17 Annual Budget, in terms of Section 24(3) of the MFMA, to the National Treasury and the Western Cape Provincial Treasury.
- d) That the MM submit to the Executive Mayor, within 14 days from the date of this resolution, in terms of Section 69(3) of the MFMA, a draft service delivery and budget implementation plan (SDBIP) for the 2016/17 budget year and drafts of the annual performance agreements as required in terms of Section 57(1)(b) of the Local Government: Municipal Structures Act, 2000, for the Municipal Manager and all senior managers.

Section 3 - Executive Summary

Introduction

As we reflect on another year, we are finding ourselves in a world and country, South Africa, which is vastly different to the one we found ourselves in a year ago. During the past twelve months, international headlines have been dominated by the rise of global terror, the continued slowing of economic growth in China which has severe implications for our country from a commodity-demand point of view, an overall decline in global economic growth, a substantial decline in the price of oil and a substantial weakening of all emerging market currencies against First-World currencies. While the South African economy is facing severe challenges with economic growth of less than 1%, high unemployment, extreme inequality, rising crime, the impact of the worst drought in decades and business confidence at its lowest levels in 23 years, it will help us little to throw our arms up in despair here at Knysna Municipality. Our weak Rand alone creates endless opportunities for us here in Knysna to capitalize on international tourism and also to dip our toes deeper into the water when it comes to promoting manufacturing for export.

The budget for the financial year 2016/17 reflects the strategy and priorities of the Knysna Municipality within those of the Province of the Western Cape as well as the priorities and strategies of the National Development Plan and the strategic thrusts as enunciated by Minister Pravin Gordhan in his position paper on local government summarised in the slogan "Back to Basics". Changes in policy and direction cannot simply happen overnight but in the last four Council budgets there have been significant shifts in Council thinking whilst maintaining at all times a synergy with the Constitutional requirements of local government in respect of basic services and within the general dictates of National Treasury guidelines.

It was therefore inspiring when Knysna was listed on 29 February 2016 under the Top 21% of all municipalities in a new index compiled by Good Governance Africa (CGA), a research and advocacy organisation based in Africa that works to improve government performance on the continent. This index was compiled based on various data sources, including the 2011 census, National Treasury's Local Government Yearbooks 2013 - 2015, the Expanded Public Works Programme, various releases from Stats SA as well as the Annual Financial Statements of Municipalities which include annual audit reports issued by the Auditor-General. GGA assessed South Africa's 234 local municipalities across 15 different criteria split into three main groups, namely administration, economic development and service delivery. Service delivery in particular was assessed across refuse, removal, water, sanitation and provision of electricity and Knysna Municipality came 48th overall on this list, indeed an accolade for our sound administration, service delivery and economic development initiatives since 2011. However, this index also highlighted that we have some way to go if we want to improve our administration, service delivery and local economic development initiatives

to such an extent that we can be ranked amongst the Top 10 municipalities in South Africa.

This 2016/17 Budget therefore rests on the idea of an inclusive social contract, encompassing an equitable burden of rates and taxes as well as a progressive programme of expenditures. This Budget also relies on institutions of good governance and a public ethic that values honesty and fairness. If we act together, on these principles, as public representatives, civil servants, business people, youth, workers and citizens, we can overcome the challenges of tough economic times and difficult adjustments.

However, the deterioration of the Knysna economy still continues in line with the overall South African economy. Whilst there is no doubt that the bumper December 2015 holiday period continued to show some depth and expansion from previous years and that there are now the beginnings of some economic green shoots appearing by way of interest in residential construction linked to higher end property, it is highly unlikely that the economic position of Knysna will change much in the next three to four budget cycles. Unfortunately, the infamous Eskom factor has also come back to haunt municipal finances with an average 7.6% increase, a demand for cost reflective tariffs on water and sewer and increase in employee costs that exceed headline inflation.

The new budget for Knysna Municipality amounts to approximately R912 million. This constitutes R174 million for capital expenditure and R738 million for operating expenses. It is considerably more than the adjusted budget approved for 2015/16, which was R682 million and R108 million for operating expenditure and capital expenditure respectively. This new budget on total expenditure represents an increase of 24% from the 2015/16 original budget and 16% from the 2015/16 adjusted budget. Although a deficit of R2.133 million is currently projected for the 2016/17 financial year, senior management and Council are exploring different cost containment and rationalisation initiatives to aid the municipality's cash flow.

CONSOLIDATED OVERVIEW OF THE 2016/17 MTREF					
	Current Year		2016/2017 MTREF		
	Original Budget	Adjusted Budget	2016/2017	2017/2018	2018/2019
Total Revenue (excluding capital transfers and contributions)	668 221 750	692 644 800	737 236 601	789 127 750	821 815 653
Total Expenditure	635 833 400	681 665 546	739 369 969	770 046 600	796 460 180
Surplus/(Deficit)	32 388 350	10 979 254	-2 133 368	19 081 150	25 355 472
Transfers recognised - capital	56 265 000	48 535 326	90 620 000	33 513 000	33 695 000
Total Capital Funding	102 682 600	107 810 333	175 573 270	75 042 988	124 188 351

There have been serious concerns in regard to the lack of long term planning necessary for Knysna over the next 20 years. Previous plans were essentially short term or even “gimmicky” but lacked the depth necessary to move Knysna forward. A decision was taken to begin a new long term planning process, predominantly in-house, by means of a very exhaustive but inclusive Integrated Strategic Development Framework (ISDF). The ISDF will be constantly referred to in this MTREF as it will become the most critical long-term planning tool of the Knysna Municipality and by including the simple word “Integrated” it means that for the first time, technical, financial and ultimately economic planning will talk to each other. The ISDF looks on a far longer horizon than mere Integrated Development Plans (IDP) and whilst no specific capital projects have yet been identified for ISDF purposes, they are obviously part and parcel of the revised IDP. The ISDF has now been presented to Councillors and is going through an extensive public participation exercise. The importance of the ISDF cannot be over-emphasised. ALL Council technical master planning will be placed within its over-arching umbrella.

In tandem the Finance Directorate has embarked on a major debt restructuring exercise to work in conjunction with the ISDF to finance investment and economic based capital infrastructure identified for inclusion in the budget via the IDP as flowing from the ISDF. This will ensure the MTREF remains practical and therefore economically and financially sustainable rather than the often theoretical and usually meaningless planning followed by public sector bodies.

Background

Following a process that was much more challenging and time consuming than had been anticipated the final draft of the Integrated Strategic Development Framework (or ISDF) was prepared and presented to the Inter-Governmental Steering Committee and to Council. The plan provides draft guidelines for the future development of the Municipal Area and identifies a number of catalytic projects that will inject energy into the economic revival of the area. The public participation process will be completed soon and it is anticipated that the final version of the report will be adopted before the end of this financial year.

Besides tourism, the major economic drivers within Knysna are retail, residential and retirement. These are all heavily dependent upon the economy at a national level and neither could claim to be major forces in the drive for job creation. Many of those in these driving sectors are not resident, or are predominantly situated outside of the town. For example, much of Knysna’s retail property is owned by businesses outside Knysna and any profits obviously flow outside of Knysna.

Further, a number of Knysna property owners do not actually live in the municipality for home purposes and so generate little in the way of economic development.

Situated in a national park, it is highly unlikely that our social and revenue profiles will change. Approximately 75% of Council revenue, excluding governmental transfers, comes from the domestic residential sector and some of this is classified as being indigent or on social welfare. There is little scope for cross-subsidisation from the business sector in relief of the domestic account and therefore increases in tariffs impact directly upon domestic consumers and hence almost immediately upon the municipality's cash flow. Increased taxation will invariably mean increased non-payment.

Knysna must fund itself and provide services as if it were a twelve month municipality, on a six-month income. There is therefore an obvious mis-match between revenues and service demands, and that is before we can consider eradicating service backlogs in our previously disadvantaged areas or maintaining services in advantaged areas. A classic example of this was in regard to the road maintenance budget which needed to be used to maintain our tourist facilities and therefore revenue generating areas in the first instance over the holiday period.

The Eden District Municipality is in the process of establishing a new regional landfill site adjacent to Petro SA in Mossel Bay. The license for the site has already been issued by DEA&DP. This landfill site has an expected lifespan of approximately 50 years. The joint operational cost of developing this landfill site by participating municipalities within the Eden District would need to be passed onto the consumers in the form of tariff increases. This is expected to materialise in the 2017/18 financial year.

It is highly unlikely that the economic position of Knysna will change much in the next three to four budget cycles. Some of the more significant reasons for this is outside of the control of this Council i.e. the infamous Eskom factor with an overall 7.6% increase, a demand for cost reflective tariffs on water and sewer, cleansing increases arising from the landfill site construction and increase on employee related costs that exceeds headline inflation.

PROJECTED REVENUE FOR THE 2016/2017 MTREF	Current Year		2016/2017 MTREF		
	Original Budget	Adjusted Budget	2016/2017	2017/2018	2018/2019
Revenue By Source:					
Property rates	171 416 310	171 416 310	188 901 000	203 387 000	213 556 000
Property rates - penalties & collection charges	3 014 030	3 014 030	3 225 000	3 576 000	3 755 000
Service charges - electricity revenue	215 014 980	212 014 980	228 212 800	249 583 900	272 046 500
Service charges - water revenue	52 571 280	52 571 280	67 271 400	62 927 500	66 074 000
Service charges - sanitation revenue	12 329 050	12 329 050	13 254 000	14 727 200	15 463 735
Service charges - refuse revenue	16 503 840	16 503 840	17 824 400	24 260 900	25 474 000
Service charges - other	3 976 260	3 976 260	4 330 400	4 525 050	4 751 203
Rental of facilities and equipment	5 482 000	5 482 000	5 969 800	6 147 700	6 455 200
Interest earned - external investments	3 200 000	5 200 000	8 170 600	8 579 100	9 008 100
Interest earned - outstanding debtors	3 542 000	3 542 000	3 094 600	3 234 300	3 381 100
Fines	79 471 000	84 471 000	90 000 300	89 587 400	94 066 815
Licences and permits	2 179 000	2 179 000	1 399 300	1 469 300	1 542 800
Agency services	1 850 000	1 850 000	2 596 000	2 725 800	2 862 100
Transfers recognised - operational	93 803 000	113 866 050	98 404 001	109 585 000	98 339 000
Other revenue	3 619 000	3 979 000	4 333 000	4 561 600	4 790 100
Gains on disposal of PPE	250 000	250 000	250 000	250 000	250 000
Total Revenue (excluding capital transfers and contributions)	668 221 750	692 644 800	737 236 601	789 127 750	821 815 653
Transfers recognised - capital	56 265 000	48 535 326	90 620 000	33 513 000	33 695 000
Total Revenue	724 486 750	741 180 126	827 856 601	822 640 750	855 510 653

The Equitable Share and Revenue Stresses

For years, Knysna Municipality raised concerns about the financing of local government in general and the amount of our Equitable Share in particular. A few years ago commentary was passed in this same document that “the financing of local government is archaic and totally unsuitable for the 21st century”. The Financial and Fiscal Commission (FFC) has now expressed similar concerns in this regard. It does appear that National Treasury has at last become aware of the problem and the new Equitable Share formula is based on the latest census figures.

The Equitable Share has increased from R56.2 million in the 2015/16 financial year (2014/15: R 44.8 million) to R63 million in the 2016/17 financial year, R71 million in the 2017/18 financial year and R77.6 million in the 2018/19 financial year.

Domestic electricity customers have no choice as to who supplies them with electricity, because all electricity distributors - Eskom and municipal - are geographic monopolies. It is therefore important that electricity pricing between distributors should be equitable, rational and non-discriminatory. The reality, however, is that municipalities have different population sizes and densities, and provide different services - with different service levels and cost structures - to different mixes of low, medium and high income and usage domestic customers. In addition, municipalities have different mixes of domestic, commercial and industrial customers embedded within their geographic areas of supply. The average increase on the electricity tariffs at Knysna municipality approximates 7.6% notwithstanding that the individual tariffs levied within the electricity category differs. Council is requesting consumers to consider migrating to the all-inclusive tariff which would have a substantial benefit in that it does away with the daily charge which is generally not favoured by the broader populace.

South Africa is in the midst of its worst drought in at least two decades, threatening agricultural output and pushing up food prices. Five provinces - North West, KwaZulu-Natal, Free State, Limpopo and Mpumalanga - were declared disaster areas in 2015, allowing for a coordinated national response. Knysna Municipality has put out various alerts on water conservation measures. To date Knysna has provided all domestic account holders with 6 kilo-litres per month for free. This is despite national policy which only requires the free allocation to be given to indigent residents. As of the new financial year this gift to non-indigent residents will decrease to 3 kilo-litres free water.

Similarly the solid waste service is also financially paralysed because of the municipality's geographical location. The new Eden District Municipality landfill site is at least 100 kilometres away meaning Knysna has to build into its collection costs transport and capital cost associated with this new landfill site.

Council cannot simply manage its staff costs by dismissing staff it can only implement "freeze" positions and the value of those are minimal unless accompanied by meaningful long term restructuring.

Auditor-General

Knysna Municipality has now attained eight unqualified audit reports in a row with the last three being "clean". Whilst having a clean audit rather than an unqualified audit has absolutely no effect on the financial stability or performance of this Council, it does have a considerably positive effect upon the sentiment from the investment and banking sectors, in all their facets locally and internationally. It is therefore remarkable that locally there remains a very minor, but ignorant and voluble local group, who appear to want nothing more than to criticise Knysna's very considerable achievements for reasons that are impossible to understand.

Knysna Municipality has embraced the concept of "clean" governance and we will endeavour to attain the levels requested by Provincial government by 2021.

Legislative compliance, good governance and clean audits require competent and qualified staff at all levels throughout Council directorates.

Budget Summary

Most of the basic information surrounding this year's budget is set out in 'Table A1: Budget Summary' shown in Section 4 of this document.

The capital expenditure emphasis remains on water and sewerage infrastructure. The focus is predominately on water infrastructure due to the ramifications of the recent drought experienced. The municipality fully supports the very welcome continued movement by the Western Cape

Provincial Government to enable Knysna to use more of the Housing grant for infrastructure rather than top structure purposes.

Until 2012 Knysna had almost exclusively picked up the cost of the attendant heavy infrastructure associated with housing which created serious financial concerns which will continue to impact for years to come. The sheer volume capacity concerns on the ageing infrastructure obviously remain and will also continue to be of concern for many years to come. Knysna municipality sits within a national park containing vleis and an estuary of huge national and international significance and yet Council is expected to maintain and manage a massively complex industrial and financial edifice.

Knysna as stated is a municipality that is predominantly domestic in its tax base. The downturn in the national economy has meant that development has virtually ceased and this in turn has led to a position whereby unless the position can be reversed quickly Knysna will have serious difficulties. For this reason Council has taken the decision to fast-track economic development at all levels.

Following the award of a tender for the installation of a high speed fibre-optic and microwave based network across the municipality the service provider has established in the municipal area and by the start of the financial year the installation of the infrastructure will be well under way. This project will involve the investment of R150 million in the Knysna municipal area by the successful tenderer, including the establishment of businesses in the data management value chain. It will also create a range of economic opportunities in the media, education, business and conferencing sectors.

Various economic development initiatives designed to harness the resources of private sector investors, together with what funding can be obtained from government, are planned. These include a Convention Centre, developments along the Concordia Road and in Nekkie, developments in the Hornlee business area and in the centre of town. These will come to light during the course of the year and should place the economy of the town on a clearly upward trajectory by the end of the financial year.

Financial position and MTREF strategy

The financial position of Knysna Municipality is set out in 'Table A6: Budgeted Financial Position'. It is projected that Council at the end of the 2016/17 financial year will close with an accumulated surplus of some R878 million (2015/16: surplus of R788 million). The only realistic figures to look at are those contained in Table A8. That shows the reserves to be cash backed. It would be excellent if the figure was much higher, but Knysna municipality has always adopted a position that its assets should be in the ground working for the community rather than in the bank providing no service delivery.

Cash Flow

Knysna has a medium to high debt to revenue ratio. This has been commented on by rating agencies and occasionally by Provincial Government but it has not been of concern because of our approach whereby the whole budget process is driven to ensure the cash flow is protected as far as possible. Nevertheless Council has followed the policy in recent years of trying to limit its borrowings as far as possible, precisely because of concerns regarding the economy. Borrowings for the 2016/17 year are planned at approximately R25 million. The increase in traffic fine revenue, net of debt impairment, is a concern as the municipality does not have direct control on these cash collection levels.

Capital Budget

The capital budget for 2016/17 will amount to R174.4 million (2015/16: R102.7 million) of which R90.6 million (2015/16: R 48.5 million) is funded from National and Provincial grants; R 25 million (2015/16: R19.4 million) from Borrowings and the balance from internally generated funds. Council is continuing the process begun two years ago of rebuilding and up-grading municipal buildings and assets including sports fields, libraries and halls.

An amount of R57.4million (2015/16: R29 million) has been placed on the budget for housing Capital infrastructure programmes. The other major capital projects for next year are; R 22.6 million for upgrading the pumping scheme at Charlesford Dam, R10 million NDPG Grant for the Multi-Purpose Centres, R8.3 million for the Knysna WWTW Screw press; R2.5 million for the New Cemetery in Knysna and R4.6 million for the Upgrade of Gray Street. The 2016/17 Ward allocation projects will be R400 000 per ward for Capital Projects.

The table below highlights two indicators as taken from Table SA8 namely, those regarding capital charges and cost coverage. These indicators are two of the most critical that any potential investor or lender will look at, obviously in conjunction with issues such as payment levels etc.

Description of financial indicator	Basis of calculation	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
<u>Borrowing Management</u>									
Capital Charges to Operating Expenditure	Interest & Principal Paid /Operating Expenditure	6.7%	8.4%	4.5%	5.3%	4.9%	4.4%	4.6%	5.2%
Capital Charges to Own Revenue	Finance charges & Repayment of borrowing /Own Revenue	7.7%	10.2%	4.8%	5.9%	5.8%	5.1%	5.3%	5.7%

The indicators show that the municipality is managing its obligations well and should remain capable of being able to borrow moneys from the capital market at competitive rates and when necessary for the period of the MTREF for the foreseeable future.

Tariff Implications of the Annual Budget

The National Electricity Regulator (NERSA) has approved an average increase in the electricity revenue tariff from Eskom at 7.6%.

The increase in the first two consumption tiers for the water tariff will be 7% and subsequent tiers rise as consumption increases.

The sewer and refuse tariffs will increase by 7.5% and 8% respectively. Minor tariffs will be increased by 8.9% on average unless specifically shown in the tariff book.

The innovations introduced in the 2015/16 budget remain in place to encourage development. The electricity augmentation is formula driven and subject to NERSA requirements.

In terms of assessment rates, the increase in the rate in the rand will be 7% for domestic properties and for non-domestic properties. The Finance Directorate has over a number of years debated the relevancy of the current Property Rates Rebate structure. We have always argued that property rates remains a tax and that Council should strive to obtain the maximum revenue out of the rates revenue base. During the 2015/2016 MTREF submission an indication were given that some of the rebates and exemptions will be phased out and to this end:

- The assessment rate rebate for domestic owners is reduced to 10%.
- The Green Rebate from 10% to 5%.
- The Rural Rebate is phased out.

National, Provincial & District priorities

The National, Provincial and District Context

The Municipality's budget must always be seen within the context of the policies and financial priorities of National and Provincial government. All spheres of Government are partners in meeting the service delivery challenges we face in Knysna and the municipality cannot meet these challenges alone. South Africa has achieved considerable success in reaching the current level of macroeconomic stability notwithstanding the current world economic situation, but our own local economy is still plagued with levels of unemployment and poverty which are higher than the provincial norm.

The following table shows the allocations to Knysna Municipality as set out in the National Division of Revenue Bill of 2016 in the MTREF period:

National Government

National Grants	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Local Government Equitable Share	56,163	56,163	62,982	71,037	77,629
Department of Water Affairs: Masibambane	-	315	-	-	-
Finance Management Grant (FMG)	1,450	1,450	1,475	1,550	1,550
Municipal Systems Improvement Grant (MSIG)	930	930	-	-	-
CoGTA: Municipal Infrastructure Grant (MIG)	24,305	24,305	23,891	25,549	26,823
DME: Integrated National Electrification (INEP)	6,000	6,000	3,001	4,000	3,000
NT: Neighbourhood Development Partnership (NDPG)	-	-	10,000	10,000	10,000
Extended Public Works Program (EPWP)	1,002	1,002	1,292	-	-
Total	89,850	90,165	102,641	112,136	119,002

Provincial Government

Provincial Grants	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
LG&H: Integrated Housing & Human Settlements	53,384	53,384	76,673	23,010	4,500
LG&H: Community Development Worker	54	54	57	57	57
PW: Maintenance of Proclaimed Roads	67	67	81	-	-
CA: Library Conditional	5,161	5,161	9,452	7,655	8,115
PW: Hazardous Locations_Nekkies Intersection	-	7,098	-	-	-
Disaster Management Grant	1,552	6,173	-	-	-
PT: LG Financial Management Support Grant	-	300	-	-	-
PT: Financial Management Capacity Building Grant	-	-	120	240	360
Total	60,218	72,237	86,383	30,962	13,032

mSCOA

The Municipal Regulations on a Standard Chart of Accounts (mSCOA) is applicable to all municipalities and municipal entities with effect from 01 July 2017. Knysna Municipality was selected as a pilot side and as a pilot site it is expected to be fully compliant with mSCOA effective 1 July 2016. The mSCOA project of National Treasury and the resources required, human and financial, to undertake it successfully is imposing strains upon the administration. MSCOA is not a simple financial system change, it is a change in the manner in which Council undertakes and reports on its business activities.

Conclusion

The 2016/17 budget for Knysna Municipality, like 2015/16, has been an extremely challenging exercise where the cost of increased service delivery to its ever-growing poor population is clearly becoming increasingly unaffordable in the context of its limited revenue budget. The topography of Knysna is such that the basic services we are constitutionally obliged to perform means that they will always cost more than other municipality's. When Eskom raises its tariffs the knock-on effect on all Knysna tariffs is substantial.

The only options for Knysna therefore remain to (i) aggressively grow its status as a preferred international tourist hub, (ii) actively seeking investment in environment-friendly manufacturing capacity to create more jobs and (iii) attracting more services companies to Knysna to create more jobs. In addition, Knysna will have to source funds over the next ten years to invest more in infrastructure e.g. broadband as that will undoubtedly spur higher economic growth rates in the Knysna area and not result in the loss of investment to neighbouring municipalities such as Bitou and George.

Section 4 - Annual Budget Tables

The intention of this Section is two-fold.

Firstly, the following tables form the basis of the Council resolution approving the annual budget for 2016/17:

- Table A2: Budgeted Financial Performance (expenditure by standard classification)
- Table A3: Budgeted Financial Performance (expenditure by municipal vote)
- Table A4: Budgeted Financial Performance (revenue by source)
- Table A5: Budgeted Capital Expenditure for both multi-year and single year appropriations by vote, standard classification and funding

Secondly, this section presents and explains the various tables that must be compiled as required by National Treasury. Some of the tables are variations on a theme which will allow NT to put out macro statistics. Whilst this is a good practice, it can become a tad repetitive at the micro or local level. It has therefore been decided to only comment on a table when there is something important or relevant to say.

Table A1 - Budgeted Summary

Description	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousands								
Financial Performance								
Property rates	142 475	147 030	158 860	174 430	174 430	192 126	206 963	217 311
Service charges	241 302	252 538	268 691	300 395	297 395	330 893	356 025	383 809
Investment revenue	6 589	5 944	7 757	3 200	5 200	8 171	8 579	9 008
Transfers recognised - operational	83 819	96 160	91 024	93 803	113 866	98 404	109 585	98 339
Other own revenue	35 518	69 547	125 764	96 393	101 753	107 643	107 976	113 348
Total Revenue (excluding capital transfers and contributions)	509 703	571 219	652 096	668 222	692 645	737 237	789 128	821 816
Employee costs	151 924	161 925	174 964	196 737	196 491	203 056	216 911	231 555
Remuneration of councillors	5 908	6 240	6 474	6 817	6 817	8 288	8 722	9 176
Depreciation & asset impairment	21 403	21 792	26 543	25 918	25 918	31 100	38 233	39 086
Finance charges	14 876	21 135	20 866	13 962	13 650	18 342	19 259	20 222
Materials and bulk purchases	140 439	145 622	149 157	154 239	167 631	185 341	180 828	191 296
Transfers and grants	5 610	5 001	5 373	5 631	5 922	6 225	5 867	5 961
Other expenditure	154 881	220 437	220 211	232 530	265 238	287 018	300 227	299 165
Total Expenditure	495 042	582 151	603 588	635 833	681 666	739 370	770 047	796 460
Surplus/(Deficit)	14 662	(10 932)	48 508	32 388	10 979	(2 133)	19 081	25 355
Transfers recognised - capital	41 023	32 917	30 964	56 265	48 535	90 620	33 513	33 695
Contributions recognised - capital & contributed a	695	4 589	787	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	56 379	26 574	80 259	88 653	59 515	88 487	52 594	59 050
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-
Surplus/(Deficit) for the year	56 379	26 574	80 259	88 653	59 515	88 487	52 594	59 050
Capital expenditure & funds sources								
Capital expenditure	75 134	70 862	61 788	102 683	107 810	175 573	75 043	124 188
Transfers recognised - capital	41 023	32 917	30 964	56 265	48 535	90 620	33 513	33 695
Public contributions & donations	695	4 519	-	-	-	-	-	-
Borrowing	19 847	14 318	12 152	12 502	19 445	25 173	13 601	23 803
Internally generated funds	13 569	19 108	18 672	33 916	39 830	59 780	27 929	66 690
Total sources of capital funds	75 134	70 862	61 788	102 683	107 810	175 573	75 043	124 188
Financial position								
Total current assets	131 528	103 513	170 803	120 513	160 714	172 165	192 753	194 601
Total non current assets	900 178	958 571	991 361	1 096 615	1 074 195	1 191 636	1 228 446	1 313 549
Total current liabilities	105 418	111 997	110 045	105 627	116 506	134 008	122 235	164 392
Total non current liabilities	223 267	213 181	234 953	226 004	244 935	286 510	295 090	288 231
Community wealth/Equity	703 020	736 906	817 165	885 497	873 468	943 282	1 003 874	1 055 527
Cash flows								
Net cash from (used) operating	79 820	77 636	81 331	115 053	82 607	122 917	75 569	94 731
Net cash from (used) investing	(71 422)	(79 299)	(45 952)	(103 444)	(110 133)	(148 291)	(74 793)	(123 938)
Net cash from (used) financing	(17 740)	(27 194)	8 215	(4 536)	2 931	12 577	(1 138)	4 834
Cash/cash equivalents at the year end	46 161	17 303	60 898	22 338	36 303	29 958	29 596	5 223
Cash backing/surplus reconciliation								
Cash and investments available	65 186	38 738	85 031	46 195	63 335	29 958	29 596	5 223
Application of cash and investments	15 159	25 486	46 251	22 523	32 403	(13 317)	(40 939)	(34 798)
Balance - surplus (shortfall)	50 027	13 252	38 779	23 672	30 932	43 274	70 535	40 021
Asset management								
Asset register summary (WDV)	878 857	936 781	967 103	1 070 790	1 047 037	1 192 611	1 229 421	1 314 524
Depreciation & asset impairment	21 403	21 792	26 543	25 918	25 918	31 100	38 233	39 086
Renewal of Existing Assets	37 598	36 670	24 112	37 979	43 100	98 296	58 057	112 779
Repairs and Maintenance	27 656	34 925	29 207	42 932	43 701	78 861	83 810	88 409
Free services								
Cost of Free Basic Services provided	-	-	-	-	-	-	-	-
Revenue cost of free services provided	40 464	37 361	40 401	44 035	44 035	44 035	48 108	52 662
Households below minimum service level								
Water:	1	1	1	1	1	1	1	1
Sanitation/sew erage:	3	3	4	4	4	4	4	4
Energy:	3	3	3	3	3	3	3	3
Refuse:	2	2	2	2	2	2	2	2

Revenue

Total revenue before capital transfers and contributions will increase by 6.4% from current year's adjusted budget.

Expenditure

Total Operational Expenditure will increase by 8% (R56 million) overall against the 2015/16 Adjusted budget. This increase is mainly under 'Other Expenditure' by R20.6million - 12.5%, Bulk Purchases by R11.6 million - 8%, Employee costs will rise by R6.6 million - 3% and 'Other Materials R 6 million - 27% on the 2015/16 adjustment budget figure. It is worth mentioning that employee related costs cater for the annual inflationary increase of 6.8% on basic remuneration as well as costs associated with the statutory provisions of employee benefits. The overall net increase of 3% only in total remuneration cost can partly be explained by Council's decision to freeze most vacant positions until 1 January 2017. The repairs and maintenance budget for 2016/17 will increase by 85% on the adjusted budget figure for 2015/16.

Table A2 - Budgeted Financial Performance (by standard classification)

Standard Classification Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue - Standard	1									
<i>Governance and administration</i>		168 465	170 056	205 471	196 867	199 527	199 527	231 462	248 576	260 640
Executive and council		10 138	8 845	24 403	8 491	8 851	8 851	10 431	11 717	12 511
Budget and treasury office		153 000	157 100	174 434	183 454	185 754	185 754	205 668	221 208	232 199
Corporate services		5 327	4 111	6 633	4 921	4 921	4 921	15 363	15 651	15 931
<i>Community and public safety</i>		78 958	118 434	140 510	144 619	152 649	152 649	179 287	123 562	110 156
Community and social services		2 168	10 650	9 116	9 843	9 843	9 843	10 513	8 770	9 286
Sport and recreation		831	845	962	1 168	1 168	1 168	1 272	1 310	1 376
Public safety		14 224	50 425	86 314	80 133	85 133	85 133	90 760	90 397	94 917
Housing		61 735	56 514	44 118	53 474	56 505	56 505	76 742	23 085	4 579
Health		-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>		7 058	14 292	9 986	9 233	16 331	16 331	9 206	7 338	7 705
Planning and development		1 618	3 602	3 227	3 593	3 593	3 593	3 810	2 531	2 658
Road transport		5 439	6 782	6 759	5 640	12 738	12 738	5 397	4 807	5 047
Environmental protection		1	3 908	-	-	-	-	-	-	-
<i>Trading services</i>		296 939	305 943	327 881	373 768	372 673	372 673	407 902	443 165	477 009
Electricity		188 048	200 130	203 723	238 108	235 108	235 108	250 559	275 242	298 589
Water		60 212	65 496	76 963	76 963	77 278	77 278	95 393	94 353	99 593
Waste water management		27 601	17 516	21 229	28 850	30 441	30 441	29 433	32 619	35 060
Waste management		21 079	22 801	25 965	29 847	29 847	29 847	32 517	40 950	43 767
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	2	551 421	608 725	683 847	724 487	741 180	741 180	827 857	822 641	855 511
Expenditure - Standard										
<i>Governance and administration</i>		124 346	144 082	139 896	151 568	153 429	153 429	163 426	171 369	181 111
Executive and council		37 775	46 173	42 940	38 751	40 674	40 674	41 396	42 726	45 567
Budget and treasury office		30 784	33 037	33 037	38 376	35 941	35 941	38 626	42 265	44 916
Corporate services		55 787	64 871	63 919	74 441	76 815	76 815	83 405	86 378	90 628
<i>Community and public safety</i>		106 130	155 593	165 561	155 869	181 946	181 946	172 388	187 727	182 235
Community and social services		9 600	10 886	12 690	16 845	16 669	16 669	21 705	22 880	24 291
Sport and recreation		12 957	14 005	14 883	13 647	14 783	14 783	14 710	16 681	17 690
Public safety		26 233	65 460	90 047	91 473	94 887	94 887	99 790	112 738	120 109
Housing		53 526	61 238	43 614	29 471	51 163	51 163	31 517	30 459	14 857
Health		3 815	4 005	4 326	4 434	4 444	4 444	4 665	4 968	5 288
<i>Economic and environmental services</i>		30 987	38 697	39 157	53 858	60 553	60 553	74 136	78 409	82 355
Planning and development		7 401	9 481	10 402	14 400	14 378	14 378	13 989	14 555	14 870
Road transport		22 335	27 880	27 457	37 673	44 392	44 392	58 287	61 872	65 371
Environmental protection		1 251	1 336	1 298	1 785	1 783	1 783	1 860	1 983	2 113
<i>Trading services</i>		233 579	243 779	258 975	274 538	285 738	285 738	329 421	332 542	350 760
Electricity		153 292	157 586	159 031	168 672	176 650	176 650	194 372	210 150	221 233
Water		41 917	41 745	47 476	51 891	55 035	55 035	69 096	54 056	57 329
Waste water management		17 653	20 209	23 520	25 044	24 800	24 800	37 259	36 300	38 224
Waste management		20 716	24 240	28 947	28 931	29 253	29 253	28 693	32 036	33 974
<i>Other</i>	4	-	-	-	-	-	-	-	-	-
Total Expenditure - Standard	3	495 042	582 151	603 588	635 833	681 666	681 666	739 370	770 047	796 460
Surplus/(Deficit) for the year		56 379	26 574	80 259	88 653	59 515	59 515	88 487	52 594	59 050

GFS Classification

This table reflects the operating budget in the Government Finance Statistics GFS Functions and Sub-functions standard classifications. These are used by NT to assist with the compilation of National and International accounts for comparison purposes, regardless of the unique organisational structures used by the different institutions.

Revenue standard

As indicated on the table above, Electricity as well as Budget and Treasury Office are the main Generators of our Total Revenue followed by Water and Public Safety (Traffic Fines). The Public Safety Revenue is mainly as a result of new Accounting Treatment implemented from 2014/15 Adjustments budget for Traffic Fines. An 80% Debt impairment is provided for on Expenditure as currently Council, for various reasons, is only collecting 20% of the total value of fines issued.

Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
R thousand		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue by Vote	1								
Vote 1 - Executive & Council		10 138	8 845	24 403	8 491	8 851	10 431	11 717	12 511
Vote 2 - Corporate Services		3 631	3 172	5 344	3 644	3 644	3 965	4 093	4 295
Vote 3 - Financial Services		153 079	157 171	174 514	183 534	185 834	205 871	221 422	232 424
Vote 5 - Planning & Development		63 353	64 022	47 345	57 068	60 098	90 552	35 616	17 236
Vote 6 - Community Services		43 585	89 208	127 055	125 282	130 282	139 269	145 869	154 009
Vote 7 - Electrical Services		188 138	200 293	204 072	238 609	235 609	251 167	275 892	299 271
Vote 8 - Technical Services		89 497	86 013	101 113	107 858	116 861	126 602	128 032	135 765
Total Revenue by Vote	2	551 421	608 725	683 847	724 487	741 180	827 857	822 641	855 511
Expenditure by Vote to be appropriated	1								
Vote 1 - Executive & Council		37 775	46 173	42 940	38 751	40 674	41 396	42 726	45 567
Vote 2 - Corporate Services		24 093	28 365	25 689	29 104	29 840	30 725	34 232	36 107
Vote 3 - Financial Services		38 105	42 225	46 421	53 382	51 447	58 991	62 754	65 890
Vote 5 - Planning & Development		65 831	76 033	61 039	49 056	70 790	50 805	50 649	35 720
Vote 6 - Community Services		81 397	127 569	160 386	166 027	171 253	182 089	202 007	214 914
Vote 7 - Electrical Services		159 178	164 531	162 141	178 034	184 557	202 454	218 649	230 152
Vote 8 - Technical Services		88 663	97 256	104 973	121 480	133 106	172 910	159 029	168 110
Total Expenditure by Vote	2	495 042	582 151	603 588	635 833	681 666	739 370	770 047	796 460
Surplus/(Deficit) for the year	2	56 379	26 574	80 259	88 653	59 515	88 487	52 594	59 050

The above table provides Municipal Financial Performance on Municipal Vote as per MFMA and various points of note in this table are as follows:

Revenue

An overall increase of 12% or R86.6 million against the 2015/16 Adjusted budget and this is mainly in Planning and Development with 51% (R30.4 million) increase as a result of the Transfers Recognised Capital for Housing Capital Programmes, 11% (R20 million) increase under Finance mainly on the Property rates as well as 7% (R16 million) under Electrical Services.

Expenditure

An overall increase of 8% or R57.7 million against the 2015/16 Adjusted budget and the following Votes attributes to this increase:

- Vote 8 - Technical Services: primarily to address Roads, Sewer and Water Infrastructure
- Vote 7 - Electrical Services: in order to accommodate the under provision of Bulk Purchases for Electricity as well as Finance Charges considering the municipality's plans to increase borrowings and the potential hike in interest rates.
- Vote 6 - Community Services: mainly as a result of more than 80% increase on the Provincial Library Grant to be received for 2016/17 financial year against the 2015/16 financial year allocation expenditure relating to personnel costs associated with the Youth Advisory Centres for the Youth Council.

Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Revenue By Source											
Property rates	2	139 988	143 966	155 654	171 416	171 416	171 416	171 416	188 901	203 387	213 556
Property rates - penalties & collection charges		2 487	3 065	3 207	3 014	3 014	3 014	3 014	3 225	3 576	3 755
Service charges - electricity revenue	2	172 199	181 348	188 282	215 015	212 015	212 015	212 015	228 213	249 584	272 047
Service charges - water revenue	2	43 078	43 530	50 819	52 571	52 571	52 571	52 571	67 271	62 928	66 074
Service charges - sanitation revenue	2	10 232	10 898	11 886	12 329	12 329	12 329	12 329	13 254	14 727	15 464
Service charges - refuse revenue	2	13 459	14 188	15 493	16 504	16 504	16 504	16 504	17 824	24 261	25 474
Service charges - other		2 334	2 574	2 212	3 976	3 976	3 976	3 976	4 330	4 525	4 751
Rental of facilities and equipment		3 563	4 138	6 450	5 482	5 482	5 482	5 482	5 970	6 148	6 455
Interest earned - external investments		6 589	5 944	7 757	3 200	5 200	5 200	5 200	8 171	8 579	9 008
Interest earned - outstanding debtors		3 237	3 617	4 631	3 542	3 542	3 542	3 542	3 095	3 234	3 381
Fines		13 964	49 910	85 683	79 471	84 471	84 471	84 471	90 000	89 587	94 067
Licences and permits		1 674	1 643	1 642	2 179	2 179	2 179	2 179	1 399	1 469	1 543
Agency services		1 809	2 161	2 431	1 850	1 850	1 850	1 850	2 596	2 726	2 862
Transfers recognised - operational		83 819	96 160	91 024	93 803	113 866	113 866	113 866	98 404	109 585	98 339
Other revenue	2	8 455	7 750	14 927	3 619	3 979	3 979	3 979	4 333	4 562	4 790
Gains on disposal of PPE		2 816	327	10 000	250	250	250	250	250	250	250
Total Revenue (excluding capital transfers and contributions)		509 703	571 219	652 096	668 222	692 645	692 645	692 645	737 237	789 128	821 816
Expenditure By Type											
Employee related costs	2	151 924	161 925	174 964	196 737	196 491	196 491	196 491	203 056	216 911	231 555
Remuneration of councillors		5 908	6 240	6 474	6 817	6 817	6 817	6 817	8 288	8 722	9 176
Debt impairment	3	20 480	54 733	72 076	76 339	76 339	76 339	76 339	76 464	92 248	98 521
Depreciation & asset impairment	2	21 403	21 792	26 543	25 918	25 918	25 918	25 918	31 100	38 233	39 086
Finance charges		14 876	21 135	20 866	13 962	13 650	13 650	13 650	18 342	19 259	20 222
Bulk purchases	2	122 262	123 733	128 222	132 465	145 465	145 465	145 465	157 138	168 368	178 134
Other materials	8	18 177	21 889	20 935	21 774	22 167	22 167	22 167	28 203	12 460	13 163
Contracted services		17 128	18 694	24 536	26 425	23 547	23 547	23 547	24 636	22 001	22 483
Transfers and grants		5 610	5 001	5 373	5 631	5 922	5 922	5 922	6 225	5 867	5 961
Other expenditure	4, 5	114 022	146 448	122 835	129 767	165 352	165 352	165 352	185 919	185 978	178 161
Loss on disposal of PPE		3 251	562	764	-	-	-	-	-	-	-
Total Expenditure		495 042	582 151	603 588	635 833	681 666	681 666	681 666	739 370	770 047	796 460
Surplus/(Deficit)		14 662	(10 932)	48 508	32 388	10 979	10 979	10 979	(2 133)	19 081	25 355
Transfers recognised - capital		41 023	32 917	30 964	56 265	48 535	48 535	48 535	90 620	33 513	33 695
Contributions recognised - capital	6	695	4 589	787	-	-	-	-	-	-	-
Contributed assets											
Surplus/(Deficit) after capital transfers & contributions		56 379	26 574	80 259	88 653	59 515	59 515	59 515	88 487	52 594	59 050
Taxation											
Surplus/(Deficit) after taxation		56 379	26 574	80 259	88 653	59 515	59 515	59 515	88 487	52 594	59 050
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		56 379	26 574	80 259	88 653	59 515	59 515	59 515	88 487	52 594	59 050
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		56 379	26 574	80 259	88 653	59 515	59 515	59 515	88 487	52 594	59 050

the issues to note on this table are:

a) Revenue

- An overall 6.4% or R44.6 million increase on Revenue mainly as a result of tariff hikes in Rates and other Services Charges tariffs.
- The average increase on the electricity tariffs at Knysna municipality approximates 7.6% notwithstanding that the individual tariffs levied within the electricity category differs.
- A decrease of R15.4 million on Transfers Recognised (excluding capital) mainly as a result of the Nekkies Intersection Grant rolled-over in 2015/16 Adjustments Budget will not be received in 2016/17.

b) Expenditure

- An overall 8% or R57.7 million increase on Expenditure in order to cover mainly Roads Repairs and Maintenance programmes as well as Sewer Infrastructure projects; and various other community projects.
- Employee Related costs increase by 3% overall against the adjusted budget.

Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding

Vote Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
1) Capital expenditure - Vote											
Multi-year expenditure - to be appropriated	2										
Vote 1 - Executive & Council		330	2 457	300	30	30	30	30	20	20	-
Vote 2 - Corporate Services		-	-	-	-	-	-	-	-	-	-
Vote 3 - Financial Services		570	2 483	983	760	760	760	760	965	745	-
Vote 4 - Strategic Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning & Development		13 695	12 540	9 798	29 402	19 552	19 552	19 552	57 353	20	20
Vote 6 - Community Services		114	89	353	1 080	450	450	450	15 055	14 792	9 772
Vote 7 - Electrical Services		8 177	7 827	10 987	19 890	19 959	19 959	19 959	13 935	9 949	8 480
Vote 8 - Technical Services		26 217	4 826	16 272	30 449	31 239	31 239	31 239	47 113	49 047	105 916
Capital multi-year expenditure sub-total	7	49 103	30 222	38 693	81 611	71 990	71 990	71 990	134 441	74 573	124 188
Single-year expenditure - to be appropriated	2										
Vote 1 - Executive & Council		1 706	3 224	1 790	4 570	6 092	6 092	6 092	4 400	-	-
Vote 2 - Corporate Services		133	229	58	10	10	10	10	7 050	10	-
Vote 3 - Financial Services		589	570	2 158	1 215	1 065	1 065	1 065	437	-	-
Vote 4 - Strategic Services		-	-	-	-	-	-	-	-	-	-
Vote 5 - Planning & Development		2 634	4 625	712	230	230	230	230	-	-	-
Vote 6 - Community Services		5 286	13 898	8 956	9 902	12 849	12 849	12 849	7 778	460	-
Vote 7 - Electrical Services		5 228	11 242	951	230	1 661	1 661	1 661	7 020	-	-
Vote 8 - Technical Services		10 455	6 853	8 470	4 915	13 914	13 914	13 914	14 448	-	-
Capital single-year expenditure sub-total		26 031	40 640	23 095	21 072	35 820	35 820	35 820	41 132	470	-
Total Capital Expenditure - Vote		75 134	70 863	61 788	102 683	107 810	107 810	107 810	175 573	75 043	124 188
2) Capital Expenditure - Standard											
Governance and administration		5 327	10 016	6 282	6 995	8 357	8 357	8 357	14 384	835	20
Executive and council		2 035	5 636	2 090	4 600	6 122	6 122	6 122	4 420	20	-
Budget and treasury office		82	1 780	2 208	1 215	847	847	847	120	-	-
Corporate services		3 209	2 600	1 984	1 180	1 388	1 388	1 388	9 844	815	20
Community and public safety		18 482	19 722	17 744	37 304	29 173	29 173	29 173	75 069	14 992	9 772
Community and social services		732	10 067	5 791	5 312	6 370	6 370	6 370	14 226	14 772	9 772
Sport and recreation		1 541	855	1 701	2 400	3 176	3 176	3 176	1 290	-	-
Public safety		-	2 342	658	-	35	35	35	2 200	220	-
Housing		16 209	6 458	9 594	29 592	19 592	19 592	19 592	57 353	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		2 748	7 729	2 499	3 747	6 683	6 683	6 683	8 578	1 432	3 248
Planning and development		86	-	889	-	150	150	150	-	-	-
Road transport		2 662	3 422	1 610	3 747	6 533	6 533	6 533	8 578	1 432	3 248
Environmental protection		-	4 308	-	-	-	-	-	-	-	-
Trading services		48 577	33 395	35 263	54 637	63 598	63 598	63 598	77 543	57 784	111 148
Electricity		13 405	19 025	11 909	20 120	21 620	21 620	21 620	20 955	9 949	8 480
Water		12 377	12 136	18 072	20 677	23 541	23 541	23 541	32 745	36 190	78 434
Waste water management		21 105	2 234	4 884	11 360	15 399	15 399	15 399	21 452	11 425	24 234
Waste management		1 689	-	398	2 480	3 038	3 038	3 038	2 390	220	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	3	75 134	70 862	61 788	102 683	107 810	107 810	107 810	175 573	75 043	124 188
3) Funded by:											
National Government		26 383	25 006	20 940	25 532	25 532	25 532	25 532	31 313	33 513	33 695
Provincial Government		14 472	7 830	10 024	30 733	23 003	23 003	23 003	59 307	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		169	81	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	41 023	32 917	30 964	56 265	48 535	48 535	48 535	90 620	33 513	33 695
Public contributions & donations	5	695	4 519	-	-	-	-	-	25 173	-	-
Borrowing	6	19 847	14 318	12 152	12 502	19 445	19 445	19 445	25 173	13 601	23 803
Internally generated funds		13 569	19 108	18 672	33 916	39 830	39 830	39 830	59 780	27 929	66 690
Total Capital Funding	7	75 134	70 862	61 788	102 683	107 810	107 810	107 810	175 573	75 043	124 188

- The substantial increase in capital expenditure from R 107,8 million (adjusted budget 2015/16) to R 175.6 million is largely the result of aging sewerage infrastructure that needs to be replaced and additional water infrastructure necessitated by the ongoing drought.
- 60% of the total 2016/17 Capital Allocation is for multi-year projects mainly in Planning and Development (Knysna Vision 2002); Technical and Electrical Services as well as Community Services and the 40% relates to single year projects.
- 52% (R90.6 million) of total allocation (R175.6 million) relates to Provincial and National Grants in terms of Funding Sources, 34% (R58.7 million) Internally Generated Funds of which R23 million is from the DBSA investment that will be redeemed in 2016/17, and the balance of 14% (R25 million) is attributed to Borrowings.

- The R25 million Borrowings are forecasted in 2016/17 mainly to cover a 20% contribution to MIG projects, Knysna WWTW Screw press, New Cemetery in Knysna, Upgrade Gray Street, Upgrade main Sewer Pump Station and sewers in the CBD, Hornlee Water Infill Scheme, Hornlee Infill Scheme Sewer pump station, a Grader Vehicle in the Roads Department; and other various projects across Council. Refer to table SA36.

Table A6 - Budgeted Financial Position

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
ASSETS											
Current assets											
Cash		22 885	596	24 060	12 338	26 302	26 303	32 755	19 958	19 596	(4 777)
Call investment deposits	1	23 276	17 983	36 838	10 000	10 000	10 000	10 000	10 000	10 000	10 000
Consumer debtors	1	67 199	68 111	101 140	72 107	115 125	115 125	115 125	132 312	152 652	178 258
Other debtors		9 514	9 379	2 926	18 102	3 102	3 102	3 102	3 307	3 512	3 719
Current portion of long-term receivables		115	125	67	125	67	67	67	67	67	67
Inventory	2	8 540	7 319	5 772	7 841	6 118	6 118	6 118	6 522	6 926	7 335
Total current assets		131 528	103 513	170 803	120 513	160 714	160 714	167 166	172 165	192 753	194 601
Non current assets											
Long-term receivables		2 295	355	125	1 968	125	125	125	125	125	125
Investments		19 025	21 435	24 133	23 857	27 033	27 033	27 033	-	-	-
Investment property		110 321	110 321	103 321	110 321	103 321	103 321	103 321	103 321	103 321	103 321
Investment in Associate		-	-	-	-	-	-	-	-	-	-
Property, plant and equipment	3	744 803	805 488	842 740	940 712	924 632	924 632	924 632	1 069 106	1 105 916	1 191 019
Agricultural		-	-	-	-	-	-	-	-	-	-
Biological		-	-	-	-	-	-	-	-	-	-
Intangible		992	53	27	700	27	27	27	27	27	27
Other non-current assets		22 741	20 920	21 015	19 057	19 057	19 057	19 057	19 057	19 057	19 057
Total non current assets		900 178	958 571	991 361	1 096 615	1 074 195	1 074 195	1 074 195	1 191 636	1 228 446	1 313 549
TOTAL ASSETS		1 031 705	1 062 084	1 162 164	1 217 128	1 234 909	1 234 909	1 241 362	1 363 801	1 421 199	1 508 150
LIABILITIES											
Current liabilities											
Bank overdraft	1	-	1 276	-	-	-	-	-	-	-	-
Borrowing	4	18 130	17 602	11 016	17 500	17 016	17 016	10 882	14 158	16 535	21 035
Consumer deposits		9 658	10 012	10 413	11 246	10 413	10 413	10 413	11 975	13 771	15 837
Trade and other payables	4	55 980	61 786	66 072	54 495	65 180	65 180	62 311	82 400	64 671	98 355
Provisions		21 650	21 320	22 545	22 386	23 897	23 897	23 897	25 475	27 258	29 166
Total current liabilities		105 418	111 997	110 045	105 627	116 506	116 506	107 503	134 008	122 235	164 392
Non current liabilities											
Borrowing		129 597	102 985	118 501	100 354	123 095	123 095	138 550	152 840	152 283	135 748
Provisions		93 670	110 196	116 452	125 650	121 841	121 841	121 841	133 670	142 807	152 483
Total non current liabilities		223 267	213 181	234 953	226 004	244 935	244 935	260 390	286 510	295 090	288 231
TOTAL LIABILITIES		328 685	325 178	344 999	331 631	361 441	361 441	367 894	420 519	417 325	452 624
NET ASSETS	5	703 020	736 906	817 165	885 497	873 468	873 468	873 468	943 282	1 003 874	1 055 527
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		641 670	678 958	732 173	817 347	788 476	788 476	788 476	876 963	929 557	988 607
Reserves	4	61 351	57 948	84 992	68 151	84 992	84 992	84 992	66 320	74 317	66 920
		-	-	-	-	-	-	-	-	-	-
TOTAL COMMUNITY WEALTH/EQUITY	5	703 020	736 906	817 165	885 497	873 468	873 468	873 468	943 282	1 003 874	1 055 527

Table A7 - Budgeted Cash Flows

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Properly rates, penalties & collection charges		135 528	132 672	189 317	165 709	165 709	165 709	165 709	182 520	196 615	206 445
Service charges		229 537	227 876	225 497	285 376	282 526	282 526	282 526	314 348	338 223	364 619
Other revenue		28 028	56 549	16 569	29 327	29 327	29 327	29 327	41 000	38 966	32 361
Government - operating	1	79 236	99 396	94 475	93 803	113 866	113 866	113 866	98 404	109 585	98 339
Government - capital	1	40 327	39 209	31 782	56 265	48 535	48 535	48 535	90 620	33 513	33 695
Interest		6 589	5 944	7 757	6 565	8 565	8 565	8 565	11 110	11 652	12 220
Dividends						-	-	-	-	-	-
Payments											
Suppliers and employees		(424 549)	(470 569)	(466 161)	(502 399)	(546 931)	(546 931)	(546 931)	(590 519)	(627 859)	(626 766)
Finance charges		(14 876)	(13 442)	(12 531)	(13 962)	(13 650)	(13 650)	(13 650)	(18 342)	(19 259)	(20 222)
Transfers and Grants	1			(5 373)	(5 631)	(5 340)	(5 340)	(5 340)	(6 225)	(5 867)	(5 961)
NET CASH FROM/(USED) OPERATING ACTIVITIES		79 820	77 636	81 331	115 053	82 607	82 607	82 607	122 917	75 569	94 731
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE		2 881	329	17 000	250	250	250	250	250	250	250
Decrease (Increase) in non-current debtors		-	-	-	-	-	-	-	-	-	-
Decrease (increase) other non-current receivables		-	-	-	125	125	125	125	-	-	-
Decrease (increase) in non-current investments		128	(2 410)	(2 698)	(1 136)	(2 698)	(2 698)	(2 698)	27 033	-	-
Payments											
Capital assets		(74 430)	(77 218)	(60 254)	(102 683)	(107 810)	(107 810)	(107 810)	(175 573)	(75 043)	(124 188)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(71 422)	(79 299)	(45 952)	(103 444)	(110 133)	(110 133)	(110 133)	(148 291)	(74 793)	(123 938)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans		-	-	-	-	-	-	-	-	-	-
Borrowing long term/refinancing		-	-	14 157	14 732	22 206	22 206	19 445	25 173	13 601	23 803
Increase (decrease) in consumer deposits		369	354	401	433	425	425	425	1 562	1 796	2 066
Payments											
Repayment of borrowing		(18 110)	(27 549)	(6 342)	(19 700)	(19 700)	(19 700)	(10 486)	(14 158)	(16 535)	(21 035)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(17 740)	(27 194)	8 215	(4 536)	2 931	2 931	9 383	12 577	(1 138)	4 834
NET INCREASE/ (DECREASE) IN CASH HELD											
		(9 342)	(28 858)	43 595	7 073	(24 595)	(24 595)	(18 143)	(12 797)	(361)	(24 374)
Cash/cash equivalents at the year begin:	2	55 503	46 161	17 303	15 265	60 898	60 898	60 898	42 755	29 958	29 596
Cash/cash equivalents at the year end:	2	46 161	17 303	60 898	22 338	36 303	36 303	42 755	29 958	29 596	5 223

Table A8 - Cash backed reserves/accumulated deficit reconciliation

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16				2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Cash and investments available											
Cash/cash equivalents at the year end	1	46 161	17 303	60 898	22 338	36 303	36 303	42 755	29 958	29 596	5 223
Other current investments > 90 days		0	0	0	0	(0)	-	-	-	-	-
Non current assets - Investments	1	19 025	21 435	24 133	23 857	27 033	27 033	27 033	-	-	-
Cash and investments available:		65 186	38 738	85 031	46 195	63 335	63 335	69 788	29 958	29 596	5 223
Application of cash and investments											
Unspent conditional transfers		1 262	9 966	11 394	1 754	1 439	1 439	1 439	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	(19 853)	(17 440)	(28 047)	(24 816)	(34 841)	(34 841)	(37 710)	(33 417)	(69 036)	(55 498)
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	19 025	21 435	24 133	23 857	27 033	27 033	27 033	-	-	-
Reserves to be backed by cash/investments	5	14 725	11 526	38 772	21 728	38 772	38 772	38 772	20 100	28 098	20 700
Total Application of cash and investments:		15 159	25 486	46 251	22 523	32 403	32 403	29 534	(13 317)	(40 939)	(34 798)
Surplus(shortfall)		50 027	13 252	38 779	23 672	30 932	30 932	40 254	43 274	70 535	40 021

The MTREF for last year pointed out the concerns that far more attention needed to be paid to minimising debt at an early stage, that is, before it reaches 90 days. After that point debt recovery, especially on services other than rates or electricity, becomes very problematic.

Council will continue to follow the iron fist in a velvet glove approach to credit control. Sadly however, we have had to take the harder approach of handing over more debtors to our debt collectors for direct action. This is most especially in regard to assessment rates—the tax—and for charges on vacant land.

Knysna Municipality is projecting to have outstanding borrowings of R165 million for 2016/17. This projected increase over the 2015/16 Adjustments Budget is 11%.

Table SA8 entitled Performance Indicators confirms the downward trends in both our Gearing and our Debt to Equity ratios.

Table A9 - Asset Management

Description	2012/13	2013/14	2014/15	Current Year 2015/16			2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand									
CAPITAL EXPENDITURE									
Total New Assets	37 475	34 112	37 676	64 704	64 710	64 710	77 277	16 986	11 409
Infrastructure - Road transport	610	3 322	5 491	4 288	7 674	7 674	1 658	537	563
Infrastructure - Electricity	6 378	9 477	4 524	14 640	15 314	15 314	3 165	4 079	3 230
Infrastructure - Water	11 054	3 325	12 746	5 741	8 641	8 641	3 797	5 057	5 311
Infrastructure - Sanitation	722	1 219	354	-	-	-	1 389	1 243	1 305
Infrastructure - Other	927	56	398	1 430	830	830	1 400	-	-
Infrastructure	19 697	17 399	23 513	26 099	32 460	32 460	11 408	10 916	10 409
Community	16 808	13 815	10 101	34 195	25 293	25 293	64 402	6 000	1 000
Other assets	977	2 897	4 062	4 410	6 957	6 957	1 467	70	-
Total Renewal of Existing Assets	37 598	36 670	24 112	37 979	43 100	43 100	98 296	58 057	112 779
Infrastructure - Road transport	1 125	4 515	-	1 600	3 610	3 610	6 020	1 270	3 810
Infrastructure - Electricity	7 414	9 110	6 430	3 600	3 669	3 669	10 980	5 800	5 250
Infrastructure - Water	768	2 456	6 501	14 936	14 680	14 680	28 949	31 133	73 123
Infrastructure - Sanitation	20 205	528	569	8 229	10 067	10 067	18 014	9 807	21 804
Infrastructure - Other	-	-	-	600	-	-	300	-	-
Infrastructure	29 517	16 609	13 500	28 965	32 026	32 026	64 262	48 010	103 987
Community	1 534	10 675	5 586	4 819	5 716	5 716	12 527	8 772	8 772
Other assets	6 523	9 387	5 027	4 195	5 359	5 359	21 507	1 275	20
Intangibles	30	-	-	-	-	-	-	-	-
Total Capital Expenditure									
Infrastructure - Road transport	1 735	7 837	5 491	5 888	11 284	11 284	7 678	1 807	4 373
Infrastructure - Electricity	13 792	18 588	10 955	18 240	18 983	18 983	14 145	9 879	8 480
Infrastructure - Water	11 821	5 781	19 246	20 677	23 321	23 321	32 745	36 190	78 434
Infrastructure - Sanitation	20 927	1 746	923	8 229	10 067	10 067	19 402	11 050	23 109
Infrastructure - Other	927	56	398	2 030	830	830	1 700	-	-
Infrastructure	49 202	34 008	37 013	55 064	64 485	64 485	75 671	58 926	114 396
Community	18 342	24 490	15 687	39 014	31 009	31 009	76 929	14 772	9 772
Other assets	7 500	12 283	9 089	8 605	12 316	12 316	22 974	1 345	20
Intangibles	30	-	-	-	-	-	-	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	75 074	70 781	61 788	102 683	107 810	107 810	175 573	75 043	124 188
ASSET REGISTER SUMMARY - PPE (WDV)									
Infrastructure - Road transport	83 748	97 708	105 293	87 093	107 543	107 543	109 126	105 074	103 489
Infrastructure - Electricity	128 432	145 418	160 698	174 235	175 339	175 339	184 634	189 761	193 583
Infrastructure - Water	191 647	143 991	166 805	222 500	184 315	184 315	207 870	226 108	285 515
Infrastructure - Sanitation	81 446	106 144	114 167	90 428	120 590	120 590	136 055	143 247	162 575
Infrastructure - Other	1 200	27 277	1 861	4 148	2 564	2 564	3 425	2 604	1 798
Infrastructure	486 473	520 536	548 822	578 404	590 350	590 350	641 111	666 793	746 960
Community	28 763	236 118	243 254	111 898	277 001	277 001	352 166	365 209	373 320
Heritage assets	22 741	20 920	21 015	19 053	19 057	19 057	19 057	19 057	19 057
Investment properties	110 321	110 321	103 321	110 321	103 321	103 321	103 321	103 321	103 321
Other assets	229 567	48 831	50 663	250 414	57 282	57 282	76 929	75 014	71 839
Intangibles	992	53	27	700	27	27	27	27	27
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	878 857	936 781	967 103	1 070 790	1 047 037	1 047 037	1 192 611	1 229 421	1 314 524
EXPENDITURE OTHER ITEMS									
Depreciation & asset impairment	21 403	21 792	26 543	25 918	25 918	25 918	31 100	38 233	39 086
Repairs and Maintenance by Asset Class	27 656	34 925	29 207	42 932	43 701	43 701	78 861	83 810	88 409
Infrastructure - Road transport	4 202	9 196	6 110	15 936	15 029	15 029	34 925	36 986	39 168
Infrastructure - Electricity	6 156	6 330	4 125	6 693	5 123	5 123	6 108	6 776	6 875
Infrastructure - Water	2 360	3 301	4 830	5 515	6 202	6 202	9 609	10 179	10 781
Infrastructure - Sanitation	1 666	2 187	3 600	2 779	5 199	5 199	14 089	14 920	15 800
Infrastructure - Other	-	-	442	181	116	116	100	107	113
Infrastructure	14 384	21 015	19 107	31 103	31 668	31 668	64 831	68 967	72 737
Community	5 878	4 838	1 119	1 063	1 348	1 348	1 643	1 750	1 855
Other assets	7 394	9 072	8 981	10 765	10 685	10 685	12 387	13 094	13 818
TOTAL EXPENDITURE OTHER ITEMS	49 059	56 716	55 750	68 849	69 619	69 619	109 961	122 043	127 495
Renewal of Existing Assets as % of total capex	50,1%	51,8%	39,0%	37,0%	40,0%	40,0%	56,0%	77,4%	90,8%
Renewal of Existing Assets as % of deprecn"	175,7%	168,3%	90,8%	146,5%	166,3%	166,3%	316,1%	151,9%	288,5%
R&M as a % of PPE	3,7%	4,3%	3,5%	4,6%	4,7%	4,7%	7,4%	7,6%	7,4%
Renewal and R&M as a % of PPE	7,0%	8,0%	6,0%	8,0%	8,0%	8,0%	15,0%	12,0%	15,0%

Table A10 - Basic service delivery measurement

Description	2012/13	2013/14	2014/15	Current Year 2015/16			Pre-audit outcome	2016/17 Medium Term Revenue & Expenditure Framework		
	Outcome	Outcome	Outcome	Original Budget	Adjusted Budget	Full Year Forecast		Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
Household service targets										
Water:										
Piped water inside dwelling	14 977	15 237	15 775	16 341	16 341	16 341	16 341	16 990	17 670	18 380
Piped water inside yard (but not in dwelling)	2 636	2 701	2 856	2 899	2 899	2 899	2 899	3 010	3 130	3 260
Using public tap (at least min.service level)	3 464	3 571	3 768	3 744	3 744	3 744	3 744	3 890	4 050	4 210
Other water supply (at least min.service level)	-	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	21 077	21 509	22 399	22 984	22 984	22 984	22 984	23 890	24 850	25 850
Using public tap (< min.service level)	841	866	932	929	929	929	929	970	1 010	1 050
Other water supply (< min.service level)	361	371	374	382	382	382	382	400	420	440
No water supply	-	-	-	-	-	-	-	-	-	-
<i>Below Minimum Service Level sub-total</i>	1 202	1 237	1 306	1 311	1 311	1 311	1 311	1 370	1 430	1 490
Total number of households	22 279	22 746	23 705	24 295	24 295	24 295	24 295	25 260	26 280	27 340
Sanitation/sewerage:										
Flush toilet (connected to sewerage)	16 927	17 236	17 863	18 454	18 454	18 454	18 454	19 190	19 960	20 760
Flush toilet (with septic tank)	-	-	-	-	-	-	-	-	-	-
Chemical toilet	-	-	-	-	-	-	-	-	-	-
Pit toilet (ventilated)	2 014	2 074	2 112	2 109	2 109	2 109	2 109	2 190	2 280	2 370
Other toilet provisions (> min.service level)	-	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	18 941	19 310	19 975	20 563	20 563	20 563	20 563	21 380	22 240	23 130
Bucket toilet	497	510	522	528	528	528	528	550	570	590
Other toilet provisions (< min.service level)	-	-	-	-	-	-	-	-	-	-
No toilet provisions	2 841	2 926	3 208	3 204	3 204	3 204	3 204	3 330	3 460	3 600
<i>Below Minimum Service Level sub-total</i>	3 338	3 436	3 730	3 732	3 732	3 732	3 732	3 880	4 030	4 190
Total number of households	22 279	22 746	23 705	24 295	24 295	24 295	24 295	25 260	26 270	27 320
Energy:										
Electricity (at least min.service level)	19 749	20 141	20 957	21 548	21 548	21 548	21 548	22 410	23 310	24 240
Electricity - prepaid (min.service level)	-	-	-	-	-	-	-	-	-	-
<i>Minimum Service Level and Above sub-total</i>	19 749	20 141	20 957	21 548	21 548	21 548	21 548	22 410	23 310	24 240
Electricity (< min.service level)	-	-	-	-	-	-	-	-	-	-
Electricity - prepaid (< min. service level)	-	-	-	-	-	-	-	-	-	-
Other energy sources	2 530	2 605	2 748	2 747	2 747	2 747	2 747	2 860	2 970	3 090
<i>Below Minimum Service Level sub-total</i>	2 530	2 605	2 748	2 747	2 747	2 747	2 747	2 860	2 970	3 090
Total number of households	22 279	22 746	23 705	24 295	24 295	24 295	24 295	25 270	26 280	27 330
Refuse:										
Removed at least once a week	20 724	21 151	22 058	22 630	22 630	22 630	22 630	23 540	24 480	25 460
<i>Minimum Service Level and Above sub-total</i>	20 724	21 151	22 058	22 630	22 630	22 630	22 630	23 540	24 480	25 460
Removed less frequently than once a week	162	165	168	172	172	172	172	180	190	200
Using communal refuse dump	319	329	351	351	351	351	351	370	380	400
Using own refuse dump	574	588	611	622	622	622	622	650	680	710
Other rubbish disposal	210	215	188	191	191	191	191	200	210	220
No rubbish disposal	290	298	329	329	329	329	329	340	350	360
<i>Below Minimum Service Level sub-total</i>	1 555	1 595	1 647	1 665	1 665	1 665	1 665	1 740	1 810	1 890
Total number of households	22 279	22 746	23 705	24 295	24 295	24 295	24 295	25 280	26 290	27 350
Highest level of free service provided per household										
Property rates (R value threshold)	65 000	100 000	100 000	100 000	100 000	100 000	100 000	100 000	100 000	100 000
Water (kilolitres per household per month)	6	6	6	6	6	6	6	6	6	6
Sanitation (kilolitres per household per month)	-	-	-	-	-	-	-	-	-	-
Sanitation (Rand per household per month)	50	-	-	-	-	-	-	-	-	-
Electricity (kwh per household per month)	50	50	50	50	50	50	50	50	50	50
Refuse (average litres per week)	170	170	170	170	170	170	170	170	170	170
Revenue cost of subsidised services provided (R'000)										
Property rates exemptions, reductions and rebates and impermissible values in excess of section 17 of MPRA	27 982	23 797	25 948	29 282	29 282	29 282	29 282	29 282	32 064	34 741
Water (in excess of 6 kilolitres per indigent household per month)	7 032	7 733	8 267	8 690	8 690	8 690	8 690	8 690	9 516	10 402
Sanitation (in excess of free sanitation service to indigent households)	1 105	1 191	1 240	1 171	1 171	1 171	1 171	1 171	1 259	1 402
Electricity/other energy (in excess of 50 kwh per indigent household per month)	3 063	3 461	3 757	3 667	3 667	3 667	3 667	3 667	3 947	4 317
Refuse (in excess of one removal a week for indigent households)	1 282	1 178	1 189	1 225	1 225	1 225	1 225	1 225	1 323	1 801
Total revenue cost of subsidised services provided	40 464	37 361	40 401	44 035	44 035	44 035	44 035	44 035	48 108	52 662

PART 2 – SUPPORTING DOCUMENTATION

Section 5 – Overview of Annual Budget Process

Annual planning processes

The MM has stated several times that in an economic downturn coupled with excessive increases for electricity then the financial elements of the IDP get turned on their head and makes the whole IDP and budget process a scarce resource allocation exercise as opposed to a proper planning one.

In recent years the operating budget of Knysna has been driven totally on the premise of cash flow and consumer affordability. Throughout South Africa there are municipalities in financial meltdown because of bad budgeting and by extension bad financial management. A bad budget automatically leads to increased non-payment and pressured cash flows.

A municipality is not a private sector company that can cut salaries or staffing levels. Nor can it cut its bulk Eskom payment or interest and redemption payments. The balance of the budget is for repairs and maintenance, stores and materials and other expenditures simply to make the municipality function and is zero-based. In this budget repairs and maintenance has again deliberately been prioritised to ensure a higher level of service delivery at the expense of “soft” services.

Budget Process 2016/17

The budget process followed the requirements of the MFMA. A schedule of key deadlines was prepared for tabling in Council by the Mayor prior to the end of August 2015 as required.

The draft budget was tabled in Council on 31 March 2016. A period of consultation then followed as per the dictates of Sections 22 and 23 of the MFMA.

At the culmination of the process the Mayor must consider any representations and decide if any amendments should be made to the budget.

The Municipality's budget is prepared on a three year basis. This takes into account the National and Provincial three year allocations to the municipality and to ensure optional financial planning and provide for seamless service delivery. Additionally the National Treasury Budget Circulars request local government to highlight their projected increases over the next three years to give some certainty to customers.

Operating expenditure in 2016/17 is budgeted at R738 million, a 16% increase on the original budget for 2015/16, and 8% increase on the adjusted budget for 2015/16.

The municipality sets out measurable performance objectives to link the financial inputs of the budget to service delivery on the ground. This is done in the form of quarterly service targets and monthly financial targets that are contained in the Service Delivery and Budget Implementation Plan (SDBIP). The plan must be agreed by the Mayor within 14 days of approval of the final budget and forms the basis for the Municipality's in year monitoring.

Section 6 - Overview of Alignment of the Annual Budget with the Integrated Development Plan

Introduction

Municipalities are required to develop five year Integrated Development Plans which must be reviewed annually. It is also required that such plans must find expression in the Budget. The IDP and the budget are inter-related documents. The IDP is the budget in words, just as the budget is the IDP in figures. In the past two years comprehensive efforts have been made towards ensuring that the two documents are closely link.

Knysna's vision: Where People and Nature Prosper

The Knysna Municipality has a vision which drives the Integrated Development Plan namely that of "Where people and nature prosper".

Our greatest challenge has been to build our own absorptive capacity in order to ensure that such growth translates into economic development of the town. Critical to this is ensuring that the town has adequate infrastructure. The infrastructure investment requirements far outstrip our available income. The total requests from Directorates into the capital budget was R658 million. The challenge is always to prioritise what we can afford first and eliminate any "nice to have's".

All of these challenges are compounding on an already existing problem of disparity between the affluent communities of Knysna and our historically disadvantaged ones.

Key challenges facing Knysna

Knysna Municipality is faced with a complex set of development challenges; their outlook is consistent with the broader challenges facing local government albeit with some peculiarities:

i. Sustainable Infrastructure Investment

The growth of our less advantaged areas in recent years has put a lot of pressure on infrastructure. That growth—which cannot simply be stopped—will continue at a rate which the Municipality cannot match financially from its own resources.

ii. Focused development of the previously disadvantaged

The poorest communities in our areas are subjected to the worst living conditions and the Municipality has committed itself towards poverty

alleviation. Programmes with clear funding intentions are being designed for that purpose.

iii. Integrated Human Settlement

The provision of housing settlements with a strong emphasis on sustainability is an important issue for Knysna Municipality. Within the context of a composite set of development needs of the previously disadvantaged, the Municipality will address the need for housing, as far as it financially can. Although some of the obstacles regarding successful housing provision are not necessarily within the control of the municipality i.e. access to land, the challenge still remains for Council to devise creative strategies to deal with this matter. In line with that the Council has engaged with the other spheres of government i.e. Department of Water Affairs & Department of Public Works.

iv. The challenge of promoting Economic Development

Our Economic Development strategy focuses on mainstreaming previously disadvantaged people. Crucial to this is the need to work in partnership with relevant stakeholders in boosting employment and fostering SMMEs and our SCM policies and strategies have been tailored to support this challenge.

v. The challenge of ensuring municipal financial viability

A municipality lives and dies by its ability to balance needs with resources. Knysna Municipality cannot generate sufficient resources to properly satisfy all its residents and stakeholder needs. Therefore those needs will have to be managed and dealt with in a financially sustainable manner. Promises of quick and easy solutions are simply lies. The biggest challenge will be in trying to maintain service standards at current levels and where the municipality should lessen its standards.

vi. The challenge of municipal transformation and institutional development

Staff development is crucial to meet the challenges of Knysna and the new ethos of local government. The Employment Equity imperatives have to be assessed continually to ensure that Knysna Municipality's transformation remains in line with the broader transformation agenda of South Africa. Knysna does not have the luxury of competing in terms of salary and therefore our ability to attract qualified and quality staff is severely limited. We must therefore endeavour to develop from within. The municipality is currently engaged in an organisational review with a view to optimising our human capital.

vii. Public Participation

Public Participation is an important feature of any democratic environment. Although the legislative environment provides adequately for public

participation, Knysna Municipality is challenged to ensure that it continues to build on its successes over the last few years.

Section 7 - Measurable Performance Objectives and Indicators

Indicators and ratios

The key financial indicators and ratios mentioned below are disclosed in Annexure 2, 'Supporting Table SA8: Performance indicators and benchmarks':

- Borrowing management
- Safety of capital
- Liquidity
- Debtors' and creditors' management
- Mix of expenditure types
- Mix of revenue sources
- Unaccounted for losses in respect of services rendered

Funding measure ratios are disclosed in Annexure 2 'Supporting Table SA10: Funding measurement'.

Drinking water quality and waste water management

Due to concerns surrounding the quality of municipal drinking water and failures in the management of waste water, National Treasury requires that the following section is included in the 2016/17 budget document.

Water Services Authority & Water Services Provider:
Knysna Municipality

Blue Drop Status

The quality of the drinking water supply in the Greater Knysna Municipal Area is tested monthly by the municipality itself as well as the Eden District Municipality and the quality of potable water is constantly above the national norms. Council has received Blue Drop Status for the Karatara Water Treatment Works previously and continuously strives to achieve the same accolade at other plants.

Domestic users are still the main user of water in the area, followed by the industrial sector and lastly agriculture. Household usage normally peaks in the holiday season during December - February when the holiday houses are usually 100% occupied

Green Drop Status

Knysna Municipality places a high priority on sanitation services and one of the Municipality's greatest challenges regarding sanitation is to expand the

infrastructure to meet future development requirements. The Council realises that the achievement of its strategic objectives relies heavily on the establishment of proper infrastructure for basic service delivery and the maintenance thereof. None of the existing seven waste water treatment works in the GKMA has Green Drop Status and the municipality is continuously improving on its efforts to achieve Green Drop Status for its major systems. The functioning of the Knysna waste water treatment works was of critical concern given its proximity to the estuary and the aged infrastructure. A major upgrade and refurbishment of the Knysna waste water treatment works has been completed and will allow additional capacity to the sewerage works. This will certainly unlock business development potential, attract investment to the area and facilitate the implementation of residential development. A proper final effluent quality control programme is functional to minimise the risk of pollution of the estuary and ground water sources. The outflow from the plant is monitored by the Eden District Municipality, and this monitoring includes monitoring several sites in the Knysna estuary.

Challenges

The challenges, as mentioned, are for capital funding to provide additional capacity for bulk water and sewer services to meet the growth of the various towns. Grant funding is currently used and additional grant funding is being applied for, however an extended period is envisaged to fund all constraints to growth resulting from the water and waste water services. Human Resources also are a challenge and need to be addressed within the operational budget by growing one's own timber.

Section 8 - Overview of Budget Related Policies

The detailed policies themselves are not included in this section of the budget documentation.

See Annexure 5 to this document for the full policies.

Policies are also available at the Council offices in Clyde Street for viewing as well as on the Internet at www.knysna.gov.za. This section gives a **broad overview** of the budget policy framework and highlights the amended policies to be approved by Council resolution.

Name of Policy	Type	Date of Council adoption	Purpose / Basic areas covered by Policy	Summary of proposed changes for adoption in May 2016
REVENUE RELATED				
Rates	Amended	31 May 2016	Setting criteria for establishing rates tariffs	Minor
Tariff policy	Amended	31 May 2016	Guidelines and requirements pertaining to different tariff types	Minor
Credit control	Amended	31 May 2016	Principles and guidelines to be followed with respect to arrear consumer debt control	Minor
Indigent support & social rebate	Amended	31 May 2016	Guidelines and procedures for the subsidization of rates and basic services to indigent households	Minor
BUDGET AND EXPENDITURE RELATED				
Liability, investment & cash management	Amended	31 May 2016	Guideline of procedures to be followed when investing or lending money	Minor
Budget	Amended	31 May 2016	Sets out rules and procedures to be followed in the compilation and management of the budget	Changes that address mSCOA
Supply chain management	Amended	31 May 2016	Dictates procedures for the procurement of goods and services	Various amendments

Long Term Financial Planning Policy	First Time	31 May 2016	Provides guidelines to be followed in the compilation of a Long Term Financial Plan	New
Funding and reserves policy	Amended	31 May 2016	Sets standards and guidelines for financial viability	Minor

Section 9 - Overview of Budget Assumptions

Introduction

Knysna's financial system still operates on the big wheel, little wheel principle, the same as virtually every other local authority outside the major metropolitan areas. What this means is that the middle to upper income groupings are billed for the vast majority of Council services. In the municipality the established areas take up 94% of debits raised as against 6% in the previously disadvantaged areas.

Budget Assumptions

Budgets are prepared in an environment of uncertainty. To prepare meaningful budgets, assumptions need to be made about internal and external factors that could influence the budget.

External factors (population migration, employment, etc.)

As evidenced in the latest census over recent years Knysna has experienced rapid population growth particularly at the poorer end of the economic scale. Knysna is a victim of the success of its low income housing programme. The population growth must be seen against the backdrop of very limited developable land, a sensitive environment and the lack of new jobs being created in the local economy. This presents a huge challenge to Council to improve the efficiency of its urban systems. The unique and sensitive environment of Greater Knysna is under pressure and Council has to manage the growth demands of the economy very rigidly to ensure environmental sustainability.

Growth or decline in tax base of the municipality

No growth has been built in as future growth in the tax base over the MTREF.

The revised headline CPI forecasts from National Treasury for 2016/17, 2017/18 and 2018/19 are 6.8%, 6.3% and 5.9% respectively. The growth parameters apply to tariff increases for property rates, user and other charges raised by municipalities and municipal entities, to ensure that all spheres of government support the national macroeconomic policies. NT has communicated that any rate or tariff increase above 6% must be fully communicated to the community.

Rates, tariffs, charges and timing of revenue collection

The rates, tariffs and charges for the 2016/17 budget are included in Annexure 3.

The following table shows the assumed average domestic percentage increases built into the MTREF for rates, tariffs and charges:

MTREF 2016/2017 - 2018/19

	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>
Rates	7%	9%	9%
Refuse	8%	9%	9%
Water	7%**	12%	12%
Sewer	7.5%	9%	9%
Electricity	7.6%	9%	9%

* See tariff schedule for full detail

** Indigents receive 6 kilolitres of free water. All other consumers will now receive 3 kilolitres of free water. The increase in the first two tiers of the water consumption categories goes up by 7% i.e. up to 20 kilolitres. Due to water shortages and drought ramifications subsequent tiers i.e. 21kl -30kl, 31kl - 40kl and > 40kl increase by 20%, 30% and 40% respectively.

The Municipality has in place a fair but rigorous credit control policy. Furthermore, its policy on indigent support and social rebates means that many households who would normally struggle to pay their accounts receive free or subsidised basic services thereby keeping them free of the burden of municipal debt. Nevertheless, there will always be an element of the total amount billed that will remain uncollected. The Municipality is the same as any other business in this regard. Adequate provision has to be made in the budget for any bad debts based on assumptions on collection rates.

The following bad debt provisions and collection rates are assumed in the MTREF for rates and tariffs.

<u>R '000</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>
Annual contribution to provision for bad and doubtful debts	76,464	92,248	98,521
Table A4: Debt impairment			
Assumed debtors collection rate fines (%)	20%	20%	20%
Assumed debtors collection rate excluding fines (%)	95.0%	95.0%	95.0%

The following amounts are included in the MTREF for increases in bulk purchases:

<u>R '000</u>	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>
Bulk Purchases	157,138	168,368	178,134
Table A4: Bulk purchases			

More detail relating to specific items can be found in Annexure 2, 'Supporting Table SA1: Supporting detail to 'Budgeted Financial Performance'.

Trends in demand for free or subsidised basic services

Knysna's criteria for supporting free or subsidised basic services are set out in our Indigent Support and Tariffs Policy. The Government allocates revenue via the Division of Revenue Act (DORA) in the form of the Equitable Share with the primary aim of assisting municipalities with the costs of providing free or subsidised basic services.

Section 10 - Overview of Budget Funding

Funding the Budget

Section 18(1) of the MFMA states that an annual budget may only be funded from:

- Realistically anticipated revenues to be collected;
- Cash backed accumulated funds from previous years' not committed for other purposes; and
- Borrowed funds, but only for the capital budget referred to in section 17.

Achievement of this requirement in totality effectively means that a Council has 'balanced' its budget by ensuring that budgeted outflows will be offset by a combination of planned inflows. Refer to Section 4, 'Table A8: Cash backed reserves/accumulated surplus reconciliation' and Annexure 2, 'Supporting Table SA10: Funding measurement'.

Fiscal Overview of Knysna Municipality

Knysna Municipality has over recent years moved to a position of relative financial stability. There is a high level of compliance with the Municipal Finance Management Act and other legislation directly affecting financial management. Knysna has received eight unqualified audits in a row with the last three being regarded as "clean". Knysna Municipality is on the pathway to adopting National Treasury's MSCOA Chart of Accounts effective 1 July 2016 and will be one of the first municipalities in South Africa to do so.

Section 11 - Expenditure on Allocations and Grant Programmes

Disclosure on expenditure on allocations and grant programmes is done by way of Annexure 2, "Supporting Table SA18: Transfers and grant receipts, Supporting Table SA19: Expenditure on transfers and grant programme and Supporting Table SA20: Reconciliation of transfers, grant receipts and unspent funds".

Expenditure for each grant for the MTREF period is summarised in the table below. Note that the expenditures include the VAT portion that is recognised as expenditure on grant allocations per MFMA Circulars 48 and 58.

National and Provincial Conditional Grant Allocations 2015/16 to 2017/18					
Name of Grant	Allocating Authority / Department	Budget 2016/17 R'000	Indicative 2017/18 R'000	Indicative 2018/19 R'000	Purpose of the Grant
Integrated housing and human settlement development grant <i>Capital & Operational</i> <i>*Outer year figures are currently assumptions as final figures have not been gazetted</i>	Province/ Local Government and Housing	76,673	23,010	4,500	To finance the funding requirements of national housing programmes (excluding recurrent costs recoverable from assets falling under the pre-1994 stock). To facilitate the establishment and maintenance of integrated and sustainable human settlements to ensure economically viable and socially equitable communities in areas with ecological integrity.
Library Services <i>Capital & Operational</i>	Province/ Cultural Affairs and Sport	9,452	7,655	8,115	To enable public libraries to render an improved service by addressing staffing shortages.
Community Development Worker <i>Operational only</i>	Province/ Local Government and Housing	57	57	57	To provide financial assistance to municipalities to cover the operating costs pertaining to the functions of the CDW's

Maintenance of Proclaimed Roads <i>Operational only</i>	Province/ Transport and Public Works	81	-	-	To provide routine maintenance and/or resealing on proclaimed roads (National Roads)
Local Government Financial Management Grant (FMG) <i>Operational only</i>	National / National Treasury	1,475	1,550	1,550	To promote and support reforms in financial management by building the capacity in municipalities to implement the Municipal Finance Management Act.
Municipal Infrastructure Grant (MIG)* <i>Capital & Operational</i>	National / Provincial and Local Government (National Vote 29)	23,891	25,549	26,823	To supplement capital finance for basic municipal infrastructure for poor households, micro enterprises and social institutions. The operating portion is utilised for the Project Management Unit.
Financial Management Capacity Building Grant		120	240	360	
Integrated National Electrification Programme (INEP) <i>Capital & Operational</i>	National / Minerals and Energy (National Vote 28)	3,001	4,000	3,000	To implement the Programme by providing capital subsidies to municipalities to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation and refurbishment of electricity infrastructure in order to improve quality of supply.
Expanded Public Works Programme Integrated Grant for Municipalities <i>Operational only</i>	Public Works (Vote 7)	1,292	-	-	To incentivise municipalities to expand work creation efforts through the use of labour intensive delivery methods in identified focus areas, in compliance with the Expanded Public Works Programme guidelines.
Equitable Share <i>Operational only</i>	National / Provincial and Local Government	62,982	71,037	77,629	

Section 12 - Allocations and Grants made by the Municipality

Allocations Made in kind by the Municipality

Description	Ref	2012/13	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
R thousand									
Cash Transfers to Organisations									
Leisure Isle Residents Association		32	33	35	41	41	40	42	44
Animal Welfare		350	400	432	462	462	500	518	544
Grants-in-aid and Donations		771	684	554	616	616	1 000	691	726
Knysna Tourism		4 300	3 700	4 000	4 000	4 000	4 000	4 000	4 000
Sedgefield Island Conservancy		-	-	-	-	10	10	11	11
Local Economic Development		-	-	-	-	-	-	-	-
HIV/AIDS		-	-	-	-	-	-	-	-
Total Cash Transfers To Organisations		5 452	4 816	5 021	5 119	5 129	5 550	5 262	5 325
Cash Transfers to Groups of Individuals									
Bursary Scheme		8	3	208	223	223	200	214	224
Pledge Nature Reserve		-	-	-	-	45	150	51	53
Mayoral Bursary Fund		150	178	140	214	450	250	263	276
Total Cash Transfers To Groups Of Individuals:		158	181	348	437	718	600	527	553
TOTAL CASH TRANSFERS AND GRANTS	6	5 610	4 998	5 369	5 556	5 847	6 150	5 789	5 878
Social Relief of Distress	5	-	3	4	75	75	75	79	83
Total Non-Cash Grants To Groups Of Individuals:		-	3	4	75	75	75	79	83
TOTAL NON-CASH TRANSFERS AND GRANTS		-	3	4	75	75	75	79	83
TOTAL TRANSFERS AND GRANTS	6	5 610	5 001	5 373	5 631	5 922	6 225	5 867	5 961

The above table depicts all transfers and Grants made by Council to outside organisations and individual bursaries within the KM area. The largest allocation is for tourism and marketing.

Section 13 - Councillor Allowances and Employee Benefits

Summary of Senior Managers and Employee remuneration R thousand	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
	B	C	D	E	G	H	I
Councillors (Political Office Bearers plus Other)							
Basic Salaries and Wages	4,102	4,333	4,579	4,579	5,860	6,173	6,499
Pension and UIF Contributions	245	248	243	243	293	308	323
Medical Aid Contributions	58	25	-	-	-	-	-
Motor Vehicle Allowance	1,440	1,475	1,579	1,579	1,689	1,774	1,862
Cellphone Allowance	394	393	416	416	445	468	491
Housing Allowances	-	-	-	-	-	-	-
Other benefits and allowances	-	-	-	-	-	-	-
Sub Total - Councillors	6,240	6,474	6,817	6,817	8,288	8,722	9,176
% increase	5.6%	3.8%	5.3%	-	21.6%	5.2%	5.2%

The above table depicts Councillors Remuneration. A 21.6 % increase based on the 15/16 Adjustment Budget figures as well as additional Councillors.

Summary of Senior Managers and Employee remuneration R thousand	2013/14	2014/15	Current Year 2015/16		2016/17 Medium Term Revenue & Expenditure Framework		
	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19
	B	C	D	E	G	H	I
Senior Managers of the Municipality							
Basic Salaries and Wages	5,818	5,380	6,689	5,508	6,160	7,333	7,999
Pension and UIF Contributions	518	395	510	368	688	826	1,099
Medical Aid Contributions	109	70	113	68	100	106	113
Overtime	-	-	-	-	-	-	-
Performance Bonus	807	883	870	992	1,039	1,106	1,177
Motor Vehicle Allowance	411	333	466	336	290	309	329
Cellphone Allowance	-	-	-	-	-	-	-
Housing Allowances	-	-	-	-	-	-	-
Other benefits and allowances	305	212	238	223	148	157	167
Payments in lieu of leave	-	-	-	-	-	-	-
Long service awards	-	-	-	-	-	-	-
Post-retirement benefit obligations	-	-	-	-	-	-	-
Sub Total - Senior Managers of Municipality	7,969	7,274	8,887	7,494	8,425	9,837	10,884
% increase	40.8%	(8.7%)	22.2%	(15.7%)	12.4%	16.8%	10.6%
Other Municipal Staff							
Basic Salaries and Wages	89,551	99,170	110,945	111,610	114,709	130,408	139,258
Pension and UIF Contributions	16,395	18,152	20,647	20,663	22,694	24,129	25,684
Medical Aid Contributions	8,947	9,600	12,591	12,591	12,761	13,583	14,459
Overtime	13,239	14,328	11,252	12,151	14,959	7,948	8,342
Performance Bonus	7,506	8,358	9,156	9,163	10,025	10,678	11,374
Motor Vehicle Allowance	3,958	4,171	4,394	3,815	3,715	3,947	4,194
Cellphone Allowance	-	-	-	-	-	-	-
Housing Allowances	1,700	1,822	2,031	2,045	2,647	2,820	3,004
Other benefits and allowances	5,456	5,461	5,598	5,709	6,081	6,140	6,535
Payments in lieu of leave	2,653	1,772	1,091	1,104	1,559	1,665	1,778
Long service awards	1,183	903	1,872	1,872	1,056	1,109	1,164
Post-retirement benefit obligations	3,366	3,954	8,274	8,274	4,425	4,646	4,878
Sub Total - Other Municipal Staff	153,956	167,690	187,851	188,997	194,631	207,073	220,671
TOTAL MANAGERS AND STAFF	161,925	174,964	196,737	196,491	203,056	216,911	231,555

The overall net increase of 3% only, despite the annual inflationary increases, in total remuneration cost can partly be explained by Council's decision to freeze most vacant positions until 1 January 2017.

Section 14 - Monthly Targets for Revenue, Expenditure and Cash Flow

Disclosure on monthly targets for revenue, expenditure and cash flow is made in Annexure 2, however the breakdown is as follows:

Description	Budget Year 2016/17												MTREF
	July	August	Sept.	October	November	December	January	February	March	April	May	June	
R thousand													Budget Year 2016/17
Revenue By Source													
Property rates	151 121	1 889	1 889	1 889	15 112	3 778	1 889	1 889	1 889	1 889	1 889	3 777	188 901
Property rates - penalties & collection charges	217	218	211	210	309	453	378	378	276	290	194	92	3 225
Service charges - electricity revenue	25 375	20 469	17 653	17 405	17 440	17 165	20 324	20 324	22 821	22 821	22 821	3 595	228 213
Service charges - water revenue	22 079	4 013	6 166	5 434	245	4 316	4 036	4 036	6 055	3 363	3 363	4 164	67 271
Service charges - sanitation revenue	10 603	132	132	132	1 060	265	132	132	132	132	132	267	13 254
Service charges - refuse revenue	14 259	178	178	178	1 426	356	178	178	178	178	178	357	17 824
Service charges - other	245	311	405	427	209	270	297	297	520	520	390	442	4 330
Rental of facilities and equipment	314	311	352	296	505	494	495	495	478	537	896	796	5 970
Interest earned - external investments	466	659	512	610	752	668	1 242	1 242	409	735	735	139	8 171
Interest earned - outstanding debtors	168	206	241	297	416	434	432	432	155	155	93	67	3 095
Dividends received	-	-	-	-	-	-	-	-	-	-	-	-	-
Fines	1 635	1 257	1 538	1 526	2 137	1 635	1 507	1 507	1 800	1 800	1 800	71 858	90 000
Licences and permits	96	86	92	103	93	65	110	110	112	112	112	308	1 399
Agency services	271	240	263	287	263	225	355	355	130	130	130	(53)	2 596
Transfers recognised - operational	27 137	720	1 275	1 512	22 832	1 992	2 004	2 004	2 125	2 125	2 125	32 552	98 404
Other revenue	395	81	465	308	284	386	404	404	390	390	390	435	4 333
Gains on disposal of PPE	0	0	0	0	0	0	3	3	3	3	3	237	250
Total Revenue (excluding capital transfers and contributions)	254 382	30 770	31 372	30 615	63 083	32 502	33 789	33 789	37 471	35 182	35 251	119 032	737 237
Expenditure By Type													
Employee related costs	15 469	15 469	20 402	15 469	26 533	15 469	15 597	15 597	15 597	15 597	15 597	16 258	203 056
Remuneration of councillors	690	690	690	690	690	690	690	690	690	690	690	695	8 288
Debt impairment	1 769	104	937	937	937	937	937	937	900	900	900	66 270	76 464
Depreciation & asset impairment	2 593	2 592	2 592	2 592	2 591	2 591	2 591	2 591	2 488	2 488	2 487	2 906	31 100
Finance charges	-	-	3 610	-	-	(0)	6 006	6 006	3 668	-	1 835	(2 782)	18 342
Bulk purchases	105	20 912	18 215	11 138	11 170	10 789	12 145	12 145	12 571	12 571	22 808	157 138	157 138
Other materials	152	2 369	2 271	1 150	670	2 008	4 383	4 383	1 974	1 974	1 974	4 895	28 203
Contracted services	167	4 269	1 030	3 117	922	1 852	3 429	3 429	2 217	2 217	2 217	(230)	24 636
Transfers and grants	1 397	-	1 388	14	23	205	1 410	1 410	131	131	1 131	(1 015)	6 225
Other expenditure	12 032	10 918	14 121	14 958	13 315	16 666	17 770	17 770	15 714	16 328	17 353	18 970	185 919
Loss on disposal of PPE	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Expenditure	34 375	57 322	65 256	50 066	56 852	51 207	64 956	64 956	55 951	52 897	56 756	128 775	739 370
Surplus/(Deficit)	220 007	(26 553)	(33 884)	(19 451)	6 231	(18 704)	(31 168)	(31 168)	(18 480)	(17 715)	(21 505)	(9 743)	(2 133)
Transfers recognised - capital	2 570	3 673	1 454	15 166	12 867	19 973	1 002	1 002	1 347	4 619	4 619	22 329	90 620
Contributions recognised - capital	-	-	-	-	-	-	-	-	-	-	-	-	-
Contributed assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions	222 577	(22 880)	(32 430)	(4 285)	19 097	1 268	(30 166)	(30 166)	(17 133)	(13 096)	(16 886)	12 585	88 487

The above table depicts consolidated projections of revenue by source and expenditure by type for 2016/17 budget per period and the following table depicts the same table but on a Directorate/ Vote level:

Description	Budget Year 2016/17												MTREF
	July	August	Sept.	October	November	December	January	February	March	April	May	June	
R thousand													Budget Year 2016/17
Revenue by Vote													
Vote 1 - Executive & Council	4 161	5	27	18	3 318	23	26	26	25	25	25	2 751	10 431
Vote 2 - Corporate Services	223	192	253	207	324	328	330	276	322	356	562	591	3 965
Vote 3 - Financial Services	152 846	2 851	2 873	2 926	17 076	5 182	3 799	3 519	2 834	3 175	3 072	5 718	205 871
Vote 5 - Planning & Development	2 564	3 257	2 140	11 930	10 456	15 539	2 262	10 469	2 719	5 014	4 936	19 265	90 552
Vote 6 - Community Services	22 857	2 219	2 665	3 033	9 401	3 558	2 985	3 747	3 016	3 118	3 244	79 426	139 269
Vote 7 - Electrical Services	32 573	20 764	17 966	18 244	23 685	18 206	20 642	18 665	23 122	23 249	23 199	10 854	251 167
Vote 8 - Technical Services	41 727	5 155	6 903	9 423	11 690	9 639	4 746	8 794	6 780	4 864	4 832	12 050	126 602
Total Revenue by Vote	256 951	34 443	32 827	45 781	75 949	52 475	34 790	45 497	38 819	39 801	39 870	130 654	827 857
Expenditure by Vote to be appropriated													
Vote 1 - Executive & Council	4 593	1 944	8 591	2 654	3 705	3 426	3 058	1 760	1 840	1 800	2 818	5 205	41 396
Vote 2 - Corporate Services	2 383	2 112	2 238	2 175	3 023	1 796	2 202	2 183	2 171	2 170	2 170	6 103	30 725
Vote 3 - Financial Services	4 555	4 064	4 373	4 662	5 340	4 711	4 320	6 522	4 300	4 263	4 282	7 597	58 991
Vote 5 - Planning & Development	6 087	6 205	7 795	7 342	8 015	8 190	7 644	3 897	7 649	7 448	7 548	(27 013)	50 805
Vote 6 - Community Services	7 400	9 512	8 550	9 232	11 100	9 259	10 390	8 902	9 515	9 177	9 346	79 707	182 089
Vote 7 - Electrical Services	2 059	23 621	22 380	13 945	13 927	13 399	18 047	14 295	17 140	15 411	16 304	31 927	202 454
Vote 8 - Technical Services	7 298	9 864	11 330	10 055	11 742	10 426	19 294	11 504	13 337	12 629	14 288	41 146	172 910
Total Expenditure by Vote	34 374	57 323	65 256	50 066	56 852	51 207	64 956	49 062	55 951	52 897	56 756	144 672	739 370
Surplus/(Deficit) before assoc.	222 577	(22 880)	(32 430)	(4 285)	19 098	1 268	(30 166)	(3 565)	(17 132)	(13 096)	(16 885)	(14 017)	88 487
Surplus/(Deficit)	222 577	(22 880)	(32 430)	(4 285)	19 098	1 268	(30 166)	(3 565)	(17 132)	(13 096)	(16 885)	(14 017)	88 487

Monthly capital budget revenue and expenditure projections

The following table depicts budgeted monthly capital expenditure by Municipal vote:

Description	Budget Year 2016/17												MTREF
	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17
Revenue - Standard													
<i>Governance and administration</i>	157 513	3 276	3 556	3 630	21 317	6 162	4 789	4 493	3 853	4 229	4 331	14 314	231 462
Executive and council	4 161	5	27	18	3 317	22	26	25	25	25	25	2 755	10 431
Budget and treasury office	152 828	2 847	2 851	2 912	17 063	5 164	3 780	3 500	2 815	3 157	3 054	5 697	205 668
Corporate services	524	424	679	700	937	976	983	967	1 012	1 047	1 253	5 863	15 363
<i>Community and public safety</i>	4 176	4 490	3 513	13 635	12 840	17 594	3 610	12 735	4 235	6 646	6 754	89 060	179 287
Community and social services	301	292	369	731	769	957	520	804	565	648	682	3 876	10 513
Sport and recreation	67	66	75	63	108	105	106	86	102	115	191	189	1 272
Public safety	1 670	1 285	1 570	1 639	2 234	1 784	1 534	2 221	1 828	1 849	1 849	71 296	90 760
Housing	2 137	2 847	1 499	11 201	9 729	14 748	1 451	9 624	1 740	4 035	4 033	13 699	76 742
Health	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	581	587	661	913	735	809	732	790	647	693	618	1 442	9 206
Planning and development	175	207	281	302	191	229	245	245	379	379	304	873	3 810
Road transport	406	380	380	610	544	579	486	545	268	314	314	569	5 397
Environmental protection	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>	94 682	26 090	25 096	27 604	41 057	27 910	25 659	27 479	30 084	28 233	28 167	25 839	407 902
Electricity	32 556	20 740	17 956	18 144	23 600	18 075	20 634	18 582	23 112	23 218	23 167	10 776	250 559
Water	27 268	4 700	6 539	8 121	6 248	7 832	4 344	7 604	6 413	4 276	4 259	7 790	95 393
Waste water management	15 046	384	304	1 039	5 256	1 466	321	942	277	452	438	3 509	29 433
Waste management	19 813	266	298	300	5 954	537	360	352	282	288	303	3 764	32 517
<i>Other</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue - Standard	256 951	34 443	32 827	45 781	75 949	52 475	34 790	45 497	38 819	39 801	39 870	130 654	827 857
Expenditure - Standard													
<i>Governance and administration</i>	13 432	(10 046)	(17 366)	(11 549)	(15 345)	(12 009)	(11 764)	(12 579)	(10 553)	(10 734)	(12 377)	274 316	163 426
Executive and council	4 593	(1 944)	(8 591)	(2 654)	(3 705)	(3 426)	(3 058)	(1 760)	(1 840)	(1 800)	(2 818)	68 400	41 396
Budget and treasury office	3 179	(2 658)	(2 906)	(3 047)	(3 855)	(3 089)	(2 912)	(4 290)	(2 863)	(2 830)	(2 846)	66 743	38 626
Corporate services	5 660	(5 444)	(5 870)	(5 848)	(7 785)	(5 494)	(5 793)	(6 529)	(5 850)	(6 104)	(6 713)	139 173	83 405
<i>Community and public safety</i>	9 902	(10 782)	(12 220)	(11 900)	(13 422)	(13 009)	(12 771)	(8 317)	(12 610)	(12 148)	(12 379)	282 043	172 388
Community and social services	1 678	(1 559)	(1 756)	(1 765)	(2 205)	(2 071)	(1 741)	(1 485)	(1 981)	(1 914)	(1 948)	38 453	21 705
Sport and recreation	907	(1 034)	(1 101)	(1 040)	(1 474)	(1 141)	(1 219)	(1 092)	(1 142)	(1 120)	(1 132)	25 297	14 710
Public safety	2 204	(2 952)	(2 635)	(2 785)	(3 378)	(2 685)	(3 223)	(2 691)	(2 895)	(2 703)	(2 799)	126 332	99 790
Housing	4 751	(4 868)	(6 359)	(5 944)	(5 774)	(6 743)	(6 211)	(2 678)	(6 224)	(6 042)	(6 133)	83 739	31 517
Health	362	(370)	(369)	(366)	(590)	(369)	(377)	(372)	(369)	(369)	(369)	8 221	4 665
<i>Economic and environmental services</i>	2 860	(3 405)	(3 777)	(3 727)	(5 678)	(3 870)	(8 903)	(3 801)	(5 313)	(5 146)	(5 351)	120 247	74 136
Planning and development	961	(964)	(1 029)	(1 012)	(1 564)	(1 052)	(1 016)	(867)	(1 020)	(1 019)	(1 020)	23 590	13 989
Road transport	1 761	(2 304)	(2 606)	(2 574)	(3 901)	(2 674)	(7 745)	(2 804)	(4 152)	(3 986)	(4 191)	93 462	58 287
Environmental protection	137	(137)	(142)	(141)	(213)	(144)	(141)	(130)	(141)	(141)	(141)	3 195	1 860
<i>Trading services</i>	8 180	(33 089)	(31 893)	(22 890)	(22 407)	(22 318)	(31 519)	(24 365)	(27 475)	(24 869)	(26 648)	588 714	329 421
Electricity	1 780	(23 188)	(21 850)	(13 403)	(13 435)	(12 857)	(17 467)	(13 748)	(16 539)	(14 830)	(15 713)	355 623	194 372
Water	3 130	(4 712)	(5 540)	(4 402)	(4 266)	(4 739)	(7 550)	(5 464)	(5 654)	(4 956)	(5 575)	118 824	69 096
Waste water management	1 745	(2 349)	(2 580)	(2 543)	(2 476)	(2 492)	(3 479)	(2 657)	(2 915)	(2 766)	(3 018)	62 788	37 259
Waste management	1 525	(2 840)	(1 923)	(2 542)	(2 230)	(2 230)	(3 023)	(2 497)	(2 367)	(2 317)	(2 342)	51 478	28 693
Total Expenditure - Standard	34 374	(57 323)	(65 256)	(50 066)	(56 852)	(51 207)	(64 956)	(49 062)	(55 951)	(52 897)	(56 756)	1 265 320	739 370
Surplus/(Deficit) before assoc.	222 577	91 765	98 083	95 846	132 801	103 681	99 746	94 559	94 769	92 698	96 626	(1 134 665)	88 487
Share of surplus/ (deficit) of associate	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit)	222 577	91 765	98 083	95 846	132 801	103 681	99 746	94 559	94 769	92 698	96 626	(1 134 665)	88 487

The following table depicts budgeted monthly capital expenditure by GFS Classification as well as Funding Source:

Description R thousand	Budget Year 2016/17												Term Revenue and Budget Year 2016/17
	July	August	Sept.	October	Nov.	Dec.	January	Feb.	March	April	May	June	
2) Capital Expenditure - Standard													
<i>Governance and administration</i>	281	94	241	-	-	306	769	1 530	4 762	3 777	3 462	(839)	14 384
Executive and council	-	10	-	-	-	-	-	580	2 250	1 770	10	(200)	4 420
Budget and treasury office	-	-	-	-	-	-	-	-	-	-	120	-	120
Corporate services	281	84	241	-	-	306	769	950	2 512	2 007	3 332	(639)	9 844
<i>Community and public safety</i>	100	3 088	4 668	4 738	4 588	6 882	-	7 760	9 760	8 948	12 792	11 745	75 069
Community and social services	-	-	-	150	-	-	-	877	1 177	2 066	4 569	5 386	14 226
Sport and recreation	100	220	80	-	-	-	-	-	-	-	890	-	1 290
Public safety	-	-	-	-	-	-	-	-	1 700	-	450	50	2 200
Housing	-	2 868	4 588	4 588	4 588	6 882	-	6 882	6 882	6 882	6 882	6 309	57 353
Health	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Economic and environmental services</i>	-	-	-	-	-	-	600	376	175	1 742	3 811	1 873	8 578
Planning and development	-	-	-	-	-	-	-	-	-	-	-	-	-
Road transport	-	-	-	-	-	-	600	376	175	1 742	3 811	1 873	8 578
Environmental protection	-	-	-	-	-	-	-	-	-	-	-	-	-
<i>Trading services</i>	7 425	8 053	10 069	8 710	5 791	3 823	2 956	3 775	3 478	3 788	13 596	6 078	77 543
Electricity	2 191	1 973	3 223	1 448	578	468	168	822	1 128	1 010	5 112	2 832	20 955
Water	4 384	5 449	6 299	6 690	4 160	2 180	46	143	257	1 228	1 099	814	32 745
Waste water management	250	431	347	297	777	1 025	2 492	2 811	2 094	1 551	6 946	2 432	21 452
Waste management	600	200	200	275	275	150	250	-	-	-	440	-	2 390
<i>Other</i>	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	7 807	11 235	14 979	13 448	10 379	11 011	4 325	13 441	18 176	18 256	33 661	18 858	175 573
Funded by:													
National Government	2 477	2 095	3 143	3 473	2 550	2 315	1 026	2 297	2 356	1 858	3 589	4 134	31 313
Provincial Government	-	2 868	4 588	4 588	4 588	6 882	-	6 882	6 882	7 321	7 470	7 236	59 307
District Municipality	-	-	-	-	-	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	2 477	4 963	7 732	8 061	7 138	9 197	1 026	9 179	9 238	9 179	11 059	11 370	90 620
Public contributions & donations	-	-	-	-	-	-	-	-	-	-	-	-	-
Borrowing	-	-	-	396	1 101	834	1 495	1 928	1 575	3 291	11 261	3 293	25 173
Internally generated funds	5 329	6 272	7 247	4 991	2 139	980	1 805	2 334	7 362	5 786	11 341	4 195	59 780
Total Capital Funding	7 807	11 235	14 979	13 448	10 379	11 011	4 325	13 441	18 176	18 256	33 661	18 858	175 573

Monthly cash flow projections

The below table indicates Budgeted monthly cash flow' that sets out receipts by source and payments by type for both operating and capital, broken down per month for the budget year, and shown in total for the following two years:

MONTHLY CASH FLOWS	Budget Year 2016/17												Medium Term Revenue and Expenditure Framework			
R thousand	July	August	Sept.	October	November	December	January	February	March	April	May	June	Budget Year 2016/17	Budget Year +1 2017/18	Budget Year +2 2018/19	
Cash Receipts By Source													1			
Property rates	143 565	1 795	1 795	1 795	14 356	3 589	1 795	1 795	1 795	1 795	1 795	3 588	179 456	193 218	202 878	
Property rates - penalties & collection charges	207	207	200	200	294	430	359	359	262	276	184	87	3 064	3 397	3 567	
Service charges - electricity revenue	24 106	19 445	16 770	16 535	16 568	16 306	19 308	19 308	21 680	21 680	21 680	3 415	216 802	237 105	258 444	
Service charges - water revenue	20 975	3 812	5 858	5 163	233	4 100	3 835	3 835	5 752	3 195	3 195	3 956	63 908	59 781	62 770	
Service charges - sanitation revenue	10 073	126	126	126	1 007	252	126	126	126	126	126	254	12 591	13 991	14 691	
Service charges - refuse revenue	13 546	169	169	169	1 355	338	169	169	169	169	169	339	16 933	23 048	24 200	
Service charges - other	232	295	384	405	199	257	282	282	494	494	370	420	4 114	4 299	4 514	
Rental of facilities and equipment	299	296	334	282	480	469	470	470	454	511	851	756	5 671	5 840	6 132	
Interest earned - external investments	466	659	512	610	752	668	1 242	1 242	409	735	735	139	8 171	8 579	9 008	
Interest earned - outstanding debtors	160	196	229	282	395	412	411	411	147	147	88	63	2 940	3 073	3 212	
Fines	490	377	461	458	641	491	452	452	540	540	540	21 558	27 000	24 369	17 033	
Licences and permits	96	86	92	103	93	65	110	110	112	112	112	308	1 399	1 469	1 543	
Agency services	271	240	263	287	263	225	355	355	130	130	130	(53)	2 596	2 726	2 862	
Transfer receipts - operational	27 137	720	1 275	1 512	22 832	1 992	2 004	2 004	2 125	2 125	2 125	32 552	98 404	109 585	98 339	
Other revenue	395	81	465	308	284	386	404	404	390	390	390	435	4 333	4 562	4 790	
Cash Receipts by Source	242 018	28 503	28 934	28 234	59 751	29 981	31 323	31 323	34 584	32 425	32 491	67 817	647 382	695 041	713 984	
Other Cash Flows by Source																
Transfer receipts - capital	30 207				30 553				29 825				36	90 620	33 513	33 695
Contributions recognised - capital & Contributed assets													-			
Proceeds on disposal of PPE													250	250	250	
Short term loans													-			
Borrowing long term/refinancing	25 173												-	25 173	13 601	23 803
Increase (decrease) in consumer deposits													1 562	1 562	1 796	
Decrease (increase) in non-current debtors													-			
Decrease (increase) other non-current receivables													-			
Decrease (increase) in non-current investments													27 033	27 033	-	
Total Cash Receipts by Source	297 398	28 503	28 934	28 234	90 303	29 981	31 323	31 323	64 409	32 425	32 491	96 697	792 020	744 202	773 798	
Cash Payments by Type																
Employee related costs	15 469	15 469	20 402	15 469	26 533	15 469	15 597	15 597	15 597	15 597	15 597	16 258	203 056	216 911	231 555	
Remuneration of councillors	690	690	690	690	690	690	690	690	690	690	690	695	8 288	8 722	9 176	
Finance charges	-	-	3 610	-	-	(0)	6 006	6 006	3 668	-	1 835	(2 782)	18 342	19 259	20 222	
Bulk purchases - Electricity	100	20 028	17 446	10 668	10 698	10 333	11 632	11 632	12 040	12 040	12 040	21 845	150 501	174 179	175 450	
Bulk purchases - Water & Sewer													-			
Other materials	145	2 269	2 175	1 101	642	1 923	4 198	4 198	1 891	1 891	1 891	4 688	27 012	12 890	12 964	
Contracted services	160	4 088	987	2 986	883	1 774	3 284	3 284	2 124	2 124	2 124	(220)	23 595	22 760	22 144	
Transfers and grants - other municipalities													-			
Transfers and grants - other	1 397	-	1 388	14	23	205	1 410	1 410	131	131	1 131	(1 015)	6 225	5 867	5 961	
Other expenditure	11 524	10 457	13 525	14 327	12 753	15 962	17 020	17 020	15 051	15 639	16 620	18 169	178 067	192 396	175 477	
Cash Payments by Type	29 486	53 002	60 223	45 255	52 223	46 356	59 835	59 835	51 192	48 112	51 928	57 638	615 086	652 985	652 949	
Other Cash Flows/Payments by Type																
Capital assets	7 807	11 235	14 979	13 448	10 379	11 011	4 325	13 441	18 176	18 256	33 661	18 858	175 573	75 043	124 188	
Repayment of borrowing												14 158	14 158	16 535	21 035	
Other Cash Flows/Payments												-				
Total Cash Payments by Type	37 292	64 236	75 201	58 703	62 602	57 368	64 161	73 276	69 368	66 368	85 589	90 654	804 817	744 563	798 172	
NET INCREASE/(DECREASE) IN CASH HELD	260 106	(35 733)	(46 267)	(30 469)	27 702	(27 387)	(32 838)	(41 953)	(4 959)	(33 943)	(53 098)	6 043	(12 797)	(361)	(24 374)	
Cash/cash equivalents at the monthly year begin:	42 755	302 861	267 128	220 860	190 391	218 093	190 706	157 869	115 915	110 956	77 013	23 915	42 755	29 958	29 596	
Cash/cash equivalents at the monthly year end:	302 861	267 128	220 860	190 391	218 093	190 706	157 869	115 915	110 956	77 013	23 915	29 958	29 958	29 596	5 223	

Section 15 - Annual Budgets and Service Delivery and Budget Implementation Plans - Internal Directorates

Adoption of the Service Delivery and Budget Implementation Plan

In terms of section 53(1) (c) (ii) of the MFMA the Service Delivery and Budget Implementation Plan must be approved by the Mayor within 14 days after the final approval of the budget therefore the SDBIP will be submitted by the Risk and Performance office within the legislated period.

Section 16 - Annual Budgets and Service Delivery Agreements

Refer to Annexure 2, 'Supporting Table SA32: List of external mechanisms'. Council does not have service delivery agreements of this nature in place at present.

Refer to Annexure 10, Service Level Standards

Section 17 - Contracts Having Future Budgetary Implications

'Supporting Table SA33: Contracts having future budgetary implications' in Annexure 2 discloses all contracts which will impose financial obligations on the municipality beyond the three years covered in the annual budget.

Since Knysna falls into the category of municipalities with approved total revenue greater than R250 million, all contracts with an annual cost greater than R1million and for longer than three years must be disclosed. In this instant Knysna has only 1 contract of this nature that has a value more than a million which is the: Melville Development for the Customer Care Centre rentals however, Council is considering entering monthly contracts with the Property Owner until office space resolution.

Section 18 - Capital Expenditure Details

Capital details are shown in Annexure 2:

- 'Main Table A5: Capex (capital expenditure)'
- Main Table A9: Asset Management (capital expenditure, Asset Register, Depreciation, and R&M)'
- 'Supporting Table SA6: Reconciliation of IDP strategic objectives and budget (capital expenditure)'
- 'Supporting Table SA28: Monthly Capital Expenditure by Municipal Vote (capital expenditure)'
- 'Supporting Table SA29: Monthly Capital Expenditure by GFS and Funding Source (capital expenditure)'
- 'Supporting Table SA34a: Capital expenditure on new assets by asset class'
- 'Supporting Table SA34b: Capital expenditure on the renewal of existing assets by asset class'
- 'Supporting Table SA36: Detailed capital budget'

Section 19 - Legislation Compliance Status

The disclosure on legislation compliance must provide a brief summary of the status of the implementation of legislation applicable to municipalities, including progress made or delays experienced in implementation.

Municipal Finance Management Act - No 56 of 2003

The MFMA became effective on 1st July 2004. It covers all aspects of municipal finance including budgeting, supply chain management and financial reporting.

The MFMA and the budget

The following explains the budgeting process in terms of the requirements in the MFMA. It is based on National Treasury's guide to the MFMA.

The MFMA requires a Council to adopt three-year capital and operating budgets that take into account, and are linked to, the municipality's current and future development priorities and other finance-related policies (such as those relating to free basic service provision).

These budgets must clearly set out revenue by source and expenditure by vote over three years and must be accompanied by performance objectives for revenue and expenditure, a cash flow statement and any particulars on borrowings, investments, municipal entities, service delivery agreements, grant allocations and details of employment costs.

The budget may be funded only from reasonable estimates of revenue and cash-backed deficit funds from the previous year and borrowings (the latter for capital items only).

Budget preparation timetable

The budget preparation timetable is prepared by senior management and tabled by the Mayor for Council adoption by 31 August (ten months before the commencement of the next budget year).

Budget preparation and review of IDP and policy

The Mayor must co-ordinate the budget preparation process and the review of Council's IDP and budget-related policy, with the assistance of the Municipal Manager.

The Mayor must ensure that the IDP review forms an integral part of the budget process and that any changes to strategic priorities as contained in the IDP document have realistic projections of revenue and expenditure. In developing the budget, the management must take into account national and provincial budgets, the national fiscal and macro-economic policy and other

relevant agreements or Acts of Parliament. The Mayor must consult with the relevant district Council and all other local municipalities in that district as well as the relevant provincial treasury and the National Treasury when preparing the budget, and must provide the National Treasury and other government departments with certain information on request.

This process of development should ideally occur between August and November, so that draft consolidated three-year budget proposals, IDP amendments and policies can be made available during December and January.

Tabling of the draft budget

The initial draft budget was tabled by the Mayor before Council for review by 31 March 2016.

Publication of the draft budget

Once tabled at Council, the Municipal Manager did make public the appropriate budget documentation and submitted it to National Treasury and the relevant provincial treasury and any other government departments as required. At this time, the local community must be invited to submit representations on what is contained in the budget.

Opportunity to comment on draft budget

When the draft budget is tabled, Council must consider the views of the local community, the National Treasury and the relevant provincial treasury and other municipalities and government departments that may have made submissions on the budget.

Opportunity for revisions to draft budget

After considering all views and submissions, Council must provide an opportunity for the Mayor to respond to the submissions received and if necessary to revise the budget and table amendments for Council's consideration.

Following the tabling of the draft budget at the end of March, the months of April and May should be used to accommodate public, government and Council comment and to make any revisions that may be necessary. This may take the form of public hearings, Council debates, formal or informal delegations to the National Treasury, provincial treasury and other municipalities, or any other consultative forums designed to address stakeholder priorities.

Adoption of the annual budget

The Council must consider the approval of the budget by 31 May and must formally adopt the budget by 30 June. This provides a 30-day window for Council to revise the budget several times before its final approval. If a Council fails to approve its budget at its first meeting, it must reconsider it, or an amended draft, again within seven days and it must continue to do so until it is finally approved - before 1 July.

Once approved, the Municipal Manager must place the budget on the municipality's website within five days.

Budget Implementation

Implementation management - the Service Delivery and Budget Implementation Plan (SDBIP)

The Municipal Manager must within fourteen days of the approval of the annual budget (by 14 July at the latest) submit to the Mayor for approval a draft SDBIP and draft annual performance agreements for all pertinent senior staff.

An SDBIP is a detailed plan for implementing the delivery of municipal services contemplated in the annual budget and should indicate monthly revenue and expenditure projections and quarterly service delivery targets and performance indicators.

The Mayor must approve the draft SDBIP within 14 days of the approval of the annual budget.

This plan must then be monitored by the Mayor and reported on to Council on a regular basis.

Managing the implementation process

The Municipal Manager is responsible for implementation of the budget and must take steps to ensure that all spending is in accordance with the budget and that revenue and expenditure are properly monitored.

Variation from budget estimates

Generally, Councils may incur expenditure only if it is in terms of the budget, within the limits of the amounts appropriated against each budget vote - and in the case of capital expenditure, only if Council has approved the project.

Expenditure incurred outside of these parameters may be considered to be unauthorised or, in some cases, irregular or fruitless and wasteful.

Other Legislation

In addition to the MFMA, the following legislation also influences Municipality budgeting;

The Division of Revenue Act and Provincial Budget Announcements

Three year national allocations to local government are published per municipality each year in the Division of Revenue Act. The Act places duties on municipalities in addition to the requirements of the MFMA, specifically with regard to reporting obligations.

Allocations to the Municipality from Provincial Government are announced and published in the Provincial budget.

Section 18 of the MFMA states, “annual budgets may only be funded from reasonably anticipated revenues to be collected”. The provision in the budget for allocations from National and Provincial Government should reflect the allocations announced in the DORA or in the relevant Provincial Gazette.

The Municipal Systems Act - No 32 of 2000 and Municipal Systems Amendment Act no 44 of 2003

One of the key objectives of the Municipal Systems Act is to ensure financially and economically viable communities. The requirements of the Act link closely to those of the MFMA. In particular, the following requirements need to be taken into consideration in the budgeting process;

- Chapters 4 and 5 relating to community participation and the requirements for the Integrated Development Planning process.
- Chapter 6 relates to performance management which links with the requirements for the budget to contain measurable performance objectives and quarterly performance targets in the Service Delivery and Budget Implementation Plan.
- Chapter 8 relates to the requirement to produce a tariff policy. Section 20 - Other supporting documents

Section 20 - Other supporting documents

Various supporting documents are attached to enable the reader a fuller understanding of the various processes involved. These are the following:

Annexure 1 - Main Budget Tables

Tables A1 to A10

Annexure 2 - Supporting Budget Tables

Supporting Tables SA1 to SA37

Annexure 3 - Tariffs*, Charges and Fees for 2016/2017

The average increases for 2016/2017 are:

	<u>2016/17</u>	<u>2017/18</u>	<u>2018/19</u>
Rates	7%	9%	9%
Refuse	8%	9%	9%
Water	7%**	12%	12%
Sewer	7.5%	9%	9%
Electricity	7.6%	9%	9%

* See tariff schedule for full detail

** Indigents receive 6 kilolitres of free water. All other consumers will now receive 3 kilolitres of free water. The increase in the first two tiers of the water consumption categories goes up by 7% i.e. up to 20 kilolitres. Due to water shortages and drought ramifications subsequent tiers i.e. 21kl -30kl, 31kl - 40kl and > 40kl increase by 20%, 30% and 40% respectively.

Annexure 4

Municipal Budget Circular for the 2016/17 MTREF - MFMA Circulars 74, 75 &78 and NERSA guidelines.

Annexure 5 - Policies

- Budget
- Cash, liability & investment management
- Credit control
- Funding & reserves
- Indigent relief & social rebates
- Property rates
- Supply chain management
- Tariff

- Long term Financial Plan Policy

Annexure 6

Budget submissions

Annexure 7

mSCOA Project Plan

Annexure 8

Service Delivery and Budget Implementation plan

Annexure 9

Service Level Standards

Section 21 - Municipal Manager's Quality Certification

An annual budget and supporting documentation must be covered by a quality certificate in the format as per page 68 of the Government Gazette 32141 - 17 April 2009.

QUALITY CERTIFICATE

I, Grant Easton, Municipal Manager of Knysna Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name: GRANT EASTON

Municipal Manager of Knysna Municipality (WC048)

Signature

A handwritten signature in black ink, appearing to be 'G. Easton', written over a horizontal line.

Date

30/5/16